Ministry of Innovation and Science

Annual Report
2000 | 2001

Department of Innovation and Science

Alberta Science and Research Authority (ASRA)

- iCORE Inc. (Alberta Informatics Circle of Research Excellence)
- Alberta Research Council Inc.
- Alberta Agricultural Research Institute
- Alberta Energy Research Institute (formerly Alberta Oil Sands Technology and Research Authority)

Alberta Heritage Foundation for Medical Research (AHFMR)

- Alberta Foundation for Health Research (AFHR)

Alberta Heritage Foundation for Science and Engineering Research (AHFSER)

Government of Alberta
2001 IPAC
Gold Award
for Innovative
Management

Alberta
INNOVATION AND SCIENCE

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Public Accounts 2000-2001

PREFACE

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released June 2001 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

On March 15, 2001, the government announced new Ministry structures. Since the 2000 - 2001 fiscal year was substantially completed prior to this announcement, Ministry annual reports and financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000 - 2001 fiscal year against the original business plan.

This annual report of the Ministry of Innovation and Science contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Innovation and Science, provincial agencies and Crown-controlled corporations for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to the Alberta Heritage Foundation for Medical Research and the Alberta Heritage Foundation for Science and Engineering Research is also included in this annual report as supplementary information.**

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Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2001 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 10, 2001 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Victor Doerksen, F.C.G.A.
Minister of Innovation and Science

September 10, 2001

Message from the Minister

On behalf of the Government of Alberta, it is my pleasure to present the 2000 - 2001 Annual Report for the Ministry of Innovation and Science.

Innovation and Science is committed to making Alberta a hub of innovation in research and technology. Over the past year, working closely with the Alberta Science and Research Authority (ASRA), we have made major breakthroughs in both areas, strengthening the Alberta Advantage and positioning Alberta for success in a knowledge economy.

Alberta continues to benefit from the contribution of ASRA. The creation of the Alberta Agriculture Research Institute and the Alberta Energy Research Institute this year further reflects ASRA's commitment to research and development in industries that matter to Albertans.

In addition, innovative investments such as iCORE Inc., the Alberta Heritage Foundation for Science and Engineering Research, together with the Alberta Heritage Foundation for Medical Research, are continuing to ensure Alberta is recognized as a serious player on the global science front.

Over the last year we have made strides to strengthen our position with the creation of the Alberta Science and Research Investments Program, which merges the government's Intellectual Infrastructure Partnership Program and the Science and Research Fund, and iCORE's Research Grants program, a program aimed at ensuring Alberta's brightest minds in Information and Communications Technology (ICT) research stay in Alberta.

Significant work has also gone into fulfilling the goals set out in Alberta's ICT Strategy, thanks in part to the continued support and advice of the ICT Implementation Committee, whose focus over the last year has been wireless industry development, e-commerce, e-learning, e-government services and e-health.

One of the key outcomes from the ICT Strategy was the creation of Alberta SuperNet, which will ensure that 422 communities across Alberta will have access to a high speed, broadband network over the next three years. SuperNet is Alberta's onramp to the information superhighway.

And we have continued to work towards our goal of being a model user of technology and a global leader in the use of technology to deliver government services. The Government of Alberta's Information and Technology Management Strategy, Connecting for the Future, will ensure we make better use of technology to improve our ability to provide services to the people of Alberta.

The government continues to look for partnerships to facilitate the exchange of knowledge, personnel and technology between researchers and technology businesses in Alberta and other jurisdictions. A Memorandum of Understanding was signed this year between the province and the Singapore National Science and Technology Board to foster collaboration.

This year will be remembered as a significant one in building the foundation for Alberta's continued growth. This government's continued commitment has made Alberta a recognized leader in research and technology, and I look forward to the challenge of maintaining and enhancing that reputation.

Victor P. Doerksen, F.C.G.A.
Minister of Innovation and Science

101-07487/

Management's Responsibility for Reporting

The Ministry of Innovation and Science includes:

Department of Innovation and Science

Alberta Science and Research Authority

Alberta Research Council Inc.

iCORE Inc.

Alberta Oil Sands and Technology Research Authority

Alberta Agricultural Research Institute

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Innovation and Science. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Innovation and Science any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

D Bader

Dan Bader, P.Eng.
Deputy Minister
Ministry of Innovation and Science
May 29, 2001

Overview

Our Core Businesses[1]

1. Science and Research

- Managing and funding strategic investments in science and research.
- Coordinating government science and research.
- Providing strategic leadership for science and research in Alberta.
- Promoting a science culture in Alberta.

2. Technology Business and Industry Growth and Development

- Increasing the "knowledge industry" component of the Alberta economy by growing, attracting and retaining firms.
- Increasing the application of technology throughout the economy.

3. Government Information Technology

- Coordinating the efficient and effective use of computer technology, voice and data networks, information systems and records management within government.[2]
- Establishing cross-government policies and standards for information and communications technology (ICT) to improve the efficiency and flexibility of government.
- Identifying, facilitating and providing cross-government solutions for ICT.
- Identifying and promoting best practices through cross-government initiatives.

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[1] The Core Businesses have been streamlined to incorporate technology within 'Government Information Technology' in INNSCI's 2001 – 2004 Business Plan. This will be reflected in the Ministry's 2001 – 2002 Annual Report.

[2] Effective March 19, 2001, the responsibility for Records Management was transferred to the Minister of Government Services.

Ministry Highlights for 2000 - 2001 by Core Business

1. Science and Research

- Committed $56.5 million to Alberta's universities and research institutions through the Research Excellence Envelope ($3.5 million); the Alberta Science and Research Investments Program (ASRIP) ($18 million); Research Equipment Grants to support Canadian Research Chairs ($5 million); support for projects in energy research life sciences, and ICT ($28 million) and the Coordination of University Research for Synergy and Effectiveness (COURSE) through AERI ($2 million).
- $5 million committed by INNSCI to Alberta's four universities to support excellence in research and to leverage federal infrastructure support from the Canada Research Chairs Program.
- AARI invested over $7.7 million in Alberta's food and agricultural sectors to support 170 projects at universities, federal and provincial research centres.
- The Alberta Heritage Foundation for Science and Engineering Research (Alberta Ingenuity Fund), created in February 2000, established its first two grant programs: Studentships for research training and Establishment grants to support lab start-ups for independent researchers newly recruited to Alberta research institutions.

2. Technology Business and Industry Growth and Development

- iCORE funded its first two research chairs and their associated teams resulting in $1.2 million in contributions per year. iCORE also appointed several leading researchers in the areas of advanced information processing, wireless location research and broadband wireless networks.
- Innovation and Science (INNSCI) continued to develop relationships and business partner- ships with top world executives in innovation from corporations such as IBM, Lucent Venture Partners CompCanada, Nortel, Cisco and Microsoft.

3. Government Information Technology

- SuperNet project approved in October 2000. Construction of the high-speed broadband network to 422 communities in Alberta will commence in 2001.
- *"Connecting for the Future: A Government of Alberta Strategy for Information and Technology Management"* was developed to improve the government's provision of services to Albertans. This ITM Strategic Plan outlines goals and strategies that address the current and emerging information technology demands of the Government of Alberta. An ITM action plan has been developed to enable successful implementation of the ITM Strategic Plan.
- A Chief Security Officer (CSO) and a corresponding security office were established to work with ministries to ensure that adequate information technology security mechanisms are deployed. The CSO will provide security policies that balance the protection of information with improved access to government e-business services, by Albertans.
- An e-commerce strategy was developed as the initial component of an over-arching e-business strategic plan for government. This critical achievement will provide the direction required to move government towards a robust e-business environment that encompasses the

Alberta One-Window Initiative. This initiative is co-chaired by INNSCI and Government Services.

- The Government of Alberta initiated an Enterprise Architecture (GAEA). Use of an Enterprise Architecture will enhance electronic delivery of services to Albertans by providing a foundation that promotes greater consistency through corporate models, standards and guidelines in the use of Information Technology.
- Existing license agreements for Microsoft products were consolidated across government under a single agreement. Support costs will be substantially reduced as Ministries begin moving to a common desktop suite of products. The license consolidation will also facilitate the activities of the Alberta Corporate Service Centre and other government electronic service delivery initiatives.

Performance Measures

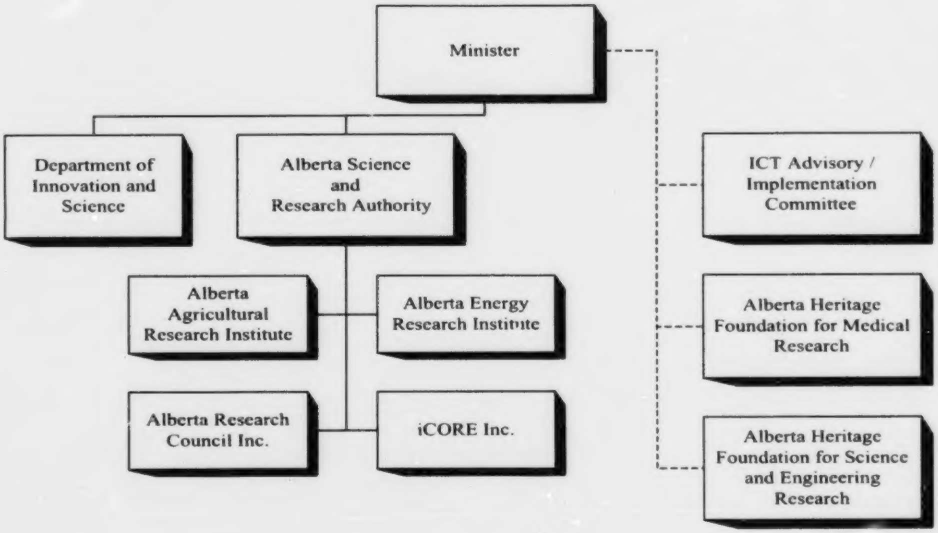
- Sponsored research at Alberta Universities from all sources continues to increase. Federal and provincial government sponsored research increased dramatically, rising by 38 per cent and 41 per cent respectively between 1998 - 1999 and 1999 - 2000.
- The number of ICT workers in Alberta in 2000 was 53,700 – up 7 per cent from 1999.
- Ontario and Québec are leading Alberta for the number of scientists, engineers, technologists and technicians as a percentage of the labour force.
- The percentage of schools in Alberta with high-speed connections is estimated to be 16 per cent of Kindergarten to Grade 12 and 14 per cent of universities and colleges. The target for 2004 is that 100 per cent of schools will have high-speed Internet connections.
- Federal and business research and development (R&D) investment, and business investment as a percentage of total R&D investment, decreased in Alberta between 1997 and 1998. These trends were also seen in Ontario and British Columbia.
- Gross Domestic Product (GDP) derived from manufacturing remains at roughly 11 per cent of total provincial GDP.
- INNSCI employees indicated higher levels of overall satisfaction with their employment with the Ministry when compared to results across government.

Financial Performance

- Spending is within approved targets and directed to the Ministry's core businesses. For 2000 - 2001, $141 million was directed to science, research and development and $72 million was directed to information and communications technology.
- Significant programs provided by INNSCI in 2000 - 2001 include:
  - $81.3 million (or 38.1 per cent) for science and research
  - $4.4 million (or 2.0 per cent) for research and technology commercialization
  - $63.4 million (or 29.7 per cent) for government information and communications systems
  - $59.9 million (or 28.1 per cent) for the Alberta Research Council.

Operational Overview

Chart 1
Key Boards and Agencies


Minister
Department of Innovation and Science
Alberta Science and Research Authority
Alberta Agricultural Research Institute
Alberta Energy Research Institute
Alberta Research Council Inc.
iCORE Inc.
ICT Advisory / Implementation Committee
Alberta Heritage Foundation for Medical Research
Alberta Heritage Foundation for Science and Engineering Research

The following is a brief overview of each of the key boards and agencies:

Alberta Science and Research Authority (ASRA)

Dr. Ronald Dyck
Executive Director
Phone 427 - 4497

ASRA is an independent board of members of the business and research communities in Alberta. Members with expertise from science and research development and related business fields serve as the senior science and research body of Government. They advise the Government on science and research investments including the identification of research priorities and funding allocations. ASRA seeks to enhance the contributions of science and research to the sustainable prosperity and the quality of life of all Albertans. ASRA works through standing committees and task forces to develop strategic direction for investments in science and research.

Alberta Research Council Inc. (ARC)

Ms. Carmen Forster
Director of Corporate Relations
Phone 450 - 5148

ARC, a wholly owned subsidiary of ASRA, was founded in 1921 and operated as a provincial corporation under the Alberta Research Act until April 1, 1999 when it was incorporated as a not-for-profit business under the Business Corporations Act. ARC performs applied R&D on a contract or fee basis, and co-ventures with others to develop new technologies, deriving a return on investment from the commercialization of new products and services. ARC also conducts applied research for the public good and to support provincial science and technology needs and strategies. ARC is well known for its work in agriculture, biotechnology, energy, environment, forestry, health and manufacturing.

iCORE Inc. (Alberta Informatics Circle of Research Excellence)

Dr. Brian Unger
President and CEO
Phone (403) 210 - 5335

iCORE is a wholly owned, board-governed subsidiary of ASRA. The mandate of iCORE is to attract and grow a critical mass of outstanding researchers in the fields of computer science, computer engineering, physics, mathematics and other ICT-related disciplines. Building on existing excellence and strengths in Alberta's universities, iCORE forms and supports strong scientific teams in ICT. The iCORE Board takes strategic direction from ASRA.

Alberta Agricultural Research Institute (AARI)

Mr. Don Macyk
Managing Director
Phone 422 - 4762

AARI coordinates, supports and promotes strategic agricultural research initiatives and technology transfer in the agriculture and food sector. Strategic direction for AARI is set by an independent board of members associated with public and private organizations involved in the agriculture and food industry. AARI also advises the Minister of Innovation and Science, ASRA and the government regarding agricultural research and the development of resources in the interest of Albertans.

Alberta Energy Research Institute (AERI)

Dr. Eddy Isaacs
Managing Director
Phone 422 - 5523 / (403) 297 - 5219

AERI was established August 1, 2000, and has responsibility for energy-related research for the province. AERI replaces the Alberta Oil Sands Technology and Research Authority (AOSTRA) and has an expanded mandate to promote energy research, technology evaluation and technology transfer in areas that include oil and gas, heavy oil and oil sands, coal, electricity and renewable and alternative energy. All energy research in Alberta is undertaken within the context of environmental sustainability. AERI also advises the Minister of Innovation and Science, ASRA and the government regarding energy research and the development of resources in the interest of Albertans.

ICT Advisory/Implementation Committee

Mr. Mel Wong
Committee Secretariat
Phone 427 - 6476

The ICT Advisory Committee was established in November 1999 and consisted of members of the public and private sectors. The Committee's mandate was to provide recommendations and advice to the government on implementing Alberta's ICT Strategy operationally and strategically. This Committee developed recommendations on growing the ICT industry, developing a vigorous ICT infrastructure and establishing the province as a leader in the electronic delivery of government programs and services. The Committee was dissolved once its recommendations were made to the Premier on May 4, 2000. The ICT Implementation Committee was then established in August 2000, to advise the government in the implementation of the recommendations brought forward by the ICT Advisory Committee. The Committee identified four key areas of interest: wireless industry development, e-commerce, e-learning and human capital development, and e-government services. In addition, the Implementation Committee was tasked with providing strategic insight on emerging ICT issues and making recommendations on maximizing Alberta's global competitiveness.

Alberta Heritage Foundation for Medical Research (AHFMR)

Ms. Kathleen Thurber
Director of Communications
Phone 423 - 5727

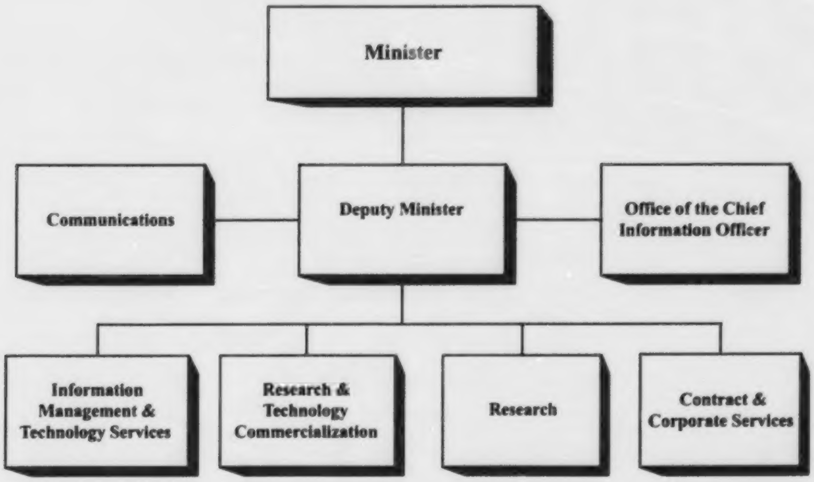
The AHFMR was established in 1980 through the *Alberta Heritage Foundation for Medical Research Act* (the Act). AHFMR was endowed with $300 million to establish a balanced, long-term program of basic biomedical, patient, and health research in the province for the benefit and health of all Albertans. Since 1980, AHFMR has contributed more than $600 million directly to the scientific community and has supported more than 6,000 researchers and researchers-in-training. Arm's-length from government, AHFMR is governed by a Board of Trustees and led by a President/Chief Executive Officer. Under the provisions of the *Act*, AHFMR publishes a separate annual report. The 2000 - 2001 financial statements for AHFMR are included in this annual report as is an overview of key activities and outcomes for 2000 - 2001.

Alberta Heritage Foundation for Science and Engineering Research (Alberta Ingenuity Fund)

Ms. Lois Hammond
Director of Communications
Phone 423 - 5735

Modeled after the AHFMR, AHFSER was established on April 1, 2000, with an endowment fund of $500 million to support a balanced, long-term program of science and engineering research in Alberta. The purpose of the Foundation is to nurture the discovery of new knowledge to improve the quality of life of Albertans, their communities, environment and economy. AHFSER is a provincial corporation that reports through the Minister of INNSCI but is autonomous from the other entities of INNSCI. Initial communications focused on relationships in the academic community. AHFSER adopted the tradename "Alberta Ingenuity Fund" to build a public profile. The 2000 - 2001 financial statements for AHFSER are included in this annual report as is an overview of key activities and outcomes for 2000 - 2001.

Chart 2
Department Structure


Minister
Communications
Deputy Minister
Office of the Chief Information Officer
Information Management & Technology Services
Research & Technology Commercialization
Research
Contract & Corporate Services

The following is a brief overview of each of the departmental entities:

Office of the Deputy Minister

Mr. Dan Bader, P. Eng.
Deputy Minister
Phone 415 - 4744

The Office of the Deputy Minister provides leadership to the department and advises the Minister on developing and managing strategic plans for research and development in areas of importance to Alberta, coordination of government science and research, promoting a science culture in Alberta and effective use of technology throughout the government. The Deputy Minister also serves as President and Chief Executive Officer of ASRA.

Communications

Mr. Glenn Guenther
Director
Phone 427 - 0285

Communications provides strategic communication counsel and expertise to the Ministry, department and government to help promote and encourage the strategic use of technology, and the on-going commitment and investment in science and research in the province of Alberta.

Office of the Chief Information Officer (CIO)[i]

Mr. Robb Stoddard
Chief Information Officer
Phone 422 - 8545

The Office of the CIO provides leadership, direction and focus to the planning and implementation of Corporate Information and Technology Management (CITM) initiatives to support government's vision of being a model user of technology in serving Albertans.

Information Management and Technology Services (IMTS)[i]

Mr. Grant Chaney
Chief Technology Officer
Phone 427 - 8894

IMTS develops and implements cross-government Information Technology and telecommunications initiatives. The operation of government data centres and the Alberta Records Centre were transferred to Alberta Corporate Services Centre in April 2000 and December 2000 respectively. Records Management was transferred to Government Services in March 2001.

Research and Technology Commercialization

Mr. Mel Wong
Executive Director
Phone 427 - 6476

Research and Technology Commercialization is responsible for high-tech R&D policy advice as well as the development of business opportunities in ICT research. The division works to increase the knowledge industry in Alberta by growing, attracting and retaining firms specializing in industries such as electronics, microelectronics, telecommunications and information networks, computer technology including hardware and software, multimedia, advanced materials and manufacturing.

This unit also facilitates new product development and increased technology commercialization opportunities across all knowledge-based sectors.

Research

Dr. Ronald Dyck
Executive Director
Phone 427 - 1488

The Research Division works with ASRA, AARI and AERI to coordinate, support and promote research and technology transfer in Energy, Agriculture, and Life Sciences. This Division also supports pharmaceutical and biotechnology industries development.

Contract and Corporate Services

Mr. Ray Bassett
Assistant Deputy Minister
Phone 427 - 2649

Contract and Corporate Services (CCS) provides strategic financial, planning, human resources, accommodation and central records functions to the department. CCS also co-ordinates the provision of transactional services in these areas with the Alberta Corporate Service Centre (ACSC) and other ministries. Further, CCS includes University Research and Strategic Investments. This branch is responsible for the development, management, and administration of various funding programs that support the province's objectives of supporting quality and excellence in research, building the capacity for innovation, and promoting initiatives of strategic benefit to Alberta.

Summary of Key Activities in the Past Year

Goal 1: Alberta has a highly qualified workforce to support innovation and science

- Initiated a commitment of $1 million from Cisco Systems Canada to support the U of A Masters Degree Program in Internet Networking Technology.
- Coordinated missions to advise Expatriates of high-tech business opportunities available in Alberta and to encourage the return of experts and/or their investment to Alberta:
  - Trade Team Alberta Expatriate Mission to Seattle in April 2000 - over 100 attendees;
  - Ottawa/Toronto expatriate events in September 2000 - over 100 attendees; and
  - Los Angeles/San Francisco Events in October 2000 - with 80 and 120 attendees respectively.
- University research funding:
  - Allocated $5 million through Research Grants to support Canada Research Chairs and encourage the formation of a critical mass of world-class researchers and
  - Allocated $3.5 million through the Research Excellence Envelope to help Alberta attract and retain quality faculty.
- iCORE's activities for 2000 - 2001:
  - Recruited/appointed world-class researchers in the areas of wireless technology research, advanced information processing, wireless location research and broadband wireless networks;
  - Implemented a program to attract and fund graduate students working in ICT through an INNSCI investment of $1.25 million in scholarships; and
  - Funded its first two research chairs and their associated research teams in the Wireless Communications Laboratory at the University of Alberta (U of A) and in Wireless Location at the University of Calgary (U of C). Initial funding for the iCORE Wireless Communications Laboratory is $1.2 million per year, with $700,000 a year contributed by iCORE.
- Allocated approximately $5.2 million to three AARI programs, which supported about 400 researchers, mostly graduate students.
- AERI's activities:
  - Committed $2 million to the U of A and the U of C for energy research matched by NSERC (National Sciences and Engineering Research Council of Canada) and industry for a total of $5.3 million and
  - Attracted Dr. John Shaw from the University of Toronto to Alberta to study the creation of solid fluid phase diagrams for reservoir fluids and heavy oil (AERI leveraged 1:3 from industry).

Goal 2: Alberta has a quality science, research, and information and communications technology infrastructure

- Alberta SuperNet was approved in the fall of 2000. The high-speed broadband Internet network will reach and connect 422 communities that contain a health or learning facility. All provincial government offices will also be connected to SuperNet. Bell Intrigna will be the prime contractor responsible for the building of SuperNet, and will subcontract the build of the Extended Area (smaller communities outside major centres) to Axia IP Services. This initiative will take three years to build, with construction expected to commence in 2001.

- A total commitment of $9.8 million to the Canadian Light Source[ii] and the Alberta Synchrotron Institute[iii] ($3.1 million). This funding will be provided over four and five years respectively, with an initial investment of $4.5 million.
- The Research Infrastructure Stream of the Alberta Science and Research Investments Program (ASRIP) allocated $14 million for 29 projects to address strategic fundamental infrastructure needs related to enhancing the competitiveness of the Alberta university research system. Some of the recipients were:
  - Gene Therapy Research[iv] - U of C;
  - Genetics and Developmental Biology Laboratories[v] - U of C;
  - Cardiovascular Ion Channel Gene Therapy Unit (CIGNET)[vi] - U of A; and
  - Magnetic Resonance Imaging for the Assessment of Stroke and Other Neurological Disease[vii] - U of A.
- INNSCI invested $1.5 million in the new Research Transition Facility on the U of A campus, which opened in the fall of 2000.

Goal 3: Alberta has an internationally competitive science and research system

- Committed $56.5 million to Alberta's universities and research institutions through the Research Excellence Envelope ($3.5 million); ASRIP ($18 million); Research Grants to support Canadian Research Chairs ($5 million); support for projects in energy, life sciences, and ICT ($28 million) and COURSE through AERI ($ 2 million).
- Signed a Memorandum of Understanding with the Singapore National Science and Technology Board for specific projects in the areas of wireless research, advanced materials and life sciences.
- Signed the extended Memorandum of Understanding on Canada-Alberta Co-operation on International Business Activity. INNSCI is now a full member of Trade Team Alberta with Industry Canada, Western Economic Development, Agriculture and Agri-Food Canada, Department of Foreign Affairs and International Trade, Alberta Economic Development and Alberta Agriculture, Food and Rural Development.
- $7.7 million was invested in Alberta's food and agricultural sectors to support 170 projects at universities and federal and provincial research centres.
- AARI's Matching Grants Program leveraged $1 or more for every $1 invested. In 2000 - 2001, AARI invested $3.0 million under this program. Industry contributions bring this total to over $6.8 million.
- In consultation with key stakeholders in the Alberta agriculture and agri-food industry, AARI developed a strategic direction paper that outlines the future direction for the agriculture and agri-food industry. This includes strategies to achieve targeted growth through focused investment in research, development and technology transfer.
- Top executives of INNSCI met with over 150 Alberta stakeholders in the pharmaceutical industry, academia and related organizations to maintain open lines of communication with particular emphasis on developing a new Life Sciences Strategy for Alberta.

Goal 4: In Alberta, there is effective commercialization and adoption of science and technology

- Established the ICT Implementation Committee in August 2000 to develop action plans on ICT, specific to the recommendations endorsed by the Premier's External Advisory Committee. The Committee identified four key areas in which Alberta will move to the leading edge of the knowledge based economy: Wireless Industry Development; e-commerce; e-learning and Human Capital Development; e-government services and e-health.
- INNSCI, along with other ministries, worked closely with Intuit Canada[viii] to identify an Edmonton site for Intuit's expansion. This expansion saw Intuit's employee base increase from 200 to about 350 employees.
- Attracted MediSolution, a healthcare information management provider, which opened its new headquarters facility in Calgary in fall 2000.
- Sponsored the 1st Annual Venture Capital Forum in Banff and secured at least four major business partnerships between venture capitalists and Alberta companies.
- AARI's technology transfer program assisted in the increased volume and range of new and value-added products in the agriculture and agri-food industry. It was also successful in conducting substantial efforts relating to providing safe food to Albertans.
- AERI supports the work of the Petroleum Alliance Technology Canada (conventional oil and gas) and the Canadian Oil Sands Network for Research and Development. Both of these industry-led consortia do collaborative research that Alberta industry then applies to increase their productivity while minimizing the environmental effects of field programs.
- The Enabling Research Application and Technology Transfer (ERATT) stream of ASRIP allocated $3.4 million to strengthen Alberta's technology commercialization network.
- A major Alberta oil company has been licensed to transfer the Alberta Taciuk Processor (ATP) technology for worldwide use. R&D for the ATP was supported through AERI.
- Together with Alberta Economic Development, INNSCI played a key role in providing initial contact and site location information to LiveBridge and Angus Reid for the establishment of two call centres in Alberta.

Goal 5: In Alberta, there is effective application of science and research for improving stewardship of resources and environment

- In addition to the research investment noted under preceding goals, AARI revamped funding programs in an effort to align agriculture research with the following new strategic research priorities:
  - Agri-Food and Health – Functional Foods and Nutraceuticals;
  - Basic Research in Genomics, Proteomics and Bioinformatics;
  - Environmental Sustainability;
  - Non-Food, Fibre and Industrial Uses, including Molecular Farming; and
  - Primary Agriculture (Crop Sciences and Livestock Sciences).
- AERI began development of an Alberta Energy Research Strategy as part of a comprehensive and integrated energy strategy for the province. The emerging

Strategy is intended to assist in transforming separate sectors (oil and gas, coal, power and petrochemical) of the economy into an integrated energy industry focused on the utilization of Alberta's resources to their fullest potential.

- Forestry Research Activities - INNSCI continued to support and/or manage 13 research projects with a total budget of $676,000 focusing on forest product research.

Goal 6: Alberta demonstrates excellence in the development, delivery and use of information, and information and communications technology in the delivery of government services

- Developed the Government of Alberta Information and Technology Management (ITM) Strategic Plan: *Connecting for the Future*. This strategic document was developed to improve the government's provision of services to Albertans and outlines goals and strategies that address the current and emerging information technology demands of the Government of Alberta. An ITM action plan has been developed to enable successful implementation of the ITM Strategic Plan.
- The Government of Alberta initiated an Enterprise Architecture (GAEA) project. Use of an Enterprise Architecture will enhance electronic delivery of services to Albertans by providing a foundation that promotes greater consistency through corporate models, standard and guidelines in the use of Information Technology.
- An e-commerce strategy has been developed as the initial component of an over-arching e-business strategic plan for government. The e-business strategic plan will provide direction to move government towards a robust e-business environment that encompasses the One-Window Gateway to Government initiative.
- Existing license agreements for Microsoft products were consolidated across government under a single agreement. Moving to a common desktop suite of products should substantially reduce support costs.
- A Chief Security Officer (CSO) and a corporate security office were established to work with ministries on ITM security issues. Initial requirements of the CSO will be a corporate security framework and security policies aimed at the protection of information assets in government.
- Co-chaired the One-Window initiative with Government Services. The One-Window initiative will seamlessly provide a range of electronically enhanced government services from one site. Support for this initiative consisted of $500,000 funding allocation and staff resources.
- Developed a standards management process for Information Management/Information Technology (IM/IT) within the Government of Alberta, the Alberta Standards Management Committee. This cross-government Committee is responsible for the continuous improvement of the processes by which standards and guidelines will be created.
- Initiated the development of a Comprehensive Information Management Solution (CIMS) to integrate the management of information in documents and databases and information recorded in various formats, such as microfilm, audio, video,

tapes, and disks. The application will be developed as a model for ministries implementing Electronic Record Document Management.

Goal 7: Albertans recognize the benefits of science and innovation

- Developed the E-Business InfoKit, an educational/awareness tool, in anticipation of SuperNet and in support of e-business promotion.
- Sponsored Technology for Success 2000, designed to explore the latest technologies and trends in research, development, and commercialization. Attendance for the 2000 conference increased 40 per cent from the 1999 conference.
- Coordinated Alberta Science and Technology Week activities, October 13-22, 2000. Activities included a highly interactive web site and educational packages sent to schools and libraries.
- Sponsored the Smart2000 Conference in Calgary, a four-day event that brought leaders in the science and technology arena together to examine how we work, learn and live in "smart" ways.
- The Science Awareness and Promotion stream of ASRIP allocated $620,000 for 4 projects to increase Albertans knowledge and enthusiasm of science. Projects include SCIberMentor, an email mentoring program for girls aged 11 - 18, and the ALTA project, which gives students the opportunity to learn about the Global Positioning Satellite System and operate a Cosmic Ray Telescope.
- Sponsorship of the Science Alberta Foundation permitted ongoing operations in science promotion. Science Alberta Foundation's initiatives include science hotlines and science exhibits that travel around the province.

Goal 8: The Ministry of Innovation and Science leads and supports the innovative and effective management of human resource capital

- Supported and participated in implementing the Alberta Government Employee Intranet (AGent) with high employee support.
- Received two United Way awards for the 2000 Provincial Employees Campaign.
- Developed a leadership plan with a focus on Ministry executive manager positions.
- Enrolled 20 managers and 20 senior/executive managers in the U of A Management and Senior/Executive Development Program.
- Supported senior management participation in the Career Assignment Program (CAP).[ix]
- Over $150,000 invested on training and education related programs.
- Held Employee Recognition and Information Event on November 7, 2000. Over 97 per cent of those surveyed were satisfied or very satisfied with the event. Staff believed that the presentations gave them a better understanding of the role and direction of INNSCI.
- Administered the Employee Work Environment Survey in January 2001.
- Recorded over 48,700 hits to the INNSCI Intranet site between April 1 and December 31, 2000.

Report of the Auditor General on the Results of Applying Specified Audit Procedures to Key Performance Measures

AUDITOR
GENERAL
Alberta

To the members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Innovation and Science's key measures included in the 2000 - 01 Annual Report of the Ministry of Innovation and Science as presented on pages 24 to 48:

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of key measures and therefore I express no opinion on the set of key measures included in the 2000 - 01 Annual Report of the Ministry of Innovation and Science.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
August 17, 2001

Results Analysis

Goals and Measures

The Ministry of Innovation and Science identified eight goals in its 2000 - 2003 Business Plan. The following is a discussion of results achieved for the performance measures identified within the 2000 - 2003 Business Plan.

Goal 1: Alberta has a highly qualified workforce to support innovation and science

Key Performance Measure:

Total Sponsored Research Funding[x] (overall and by source)

Discussion (Figure 1):

This measure corresponds to the following key strategies under Goal 1:

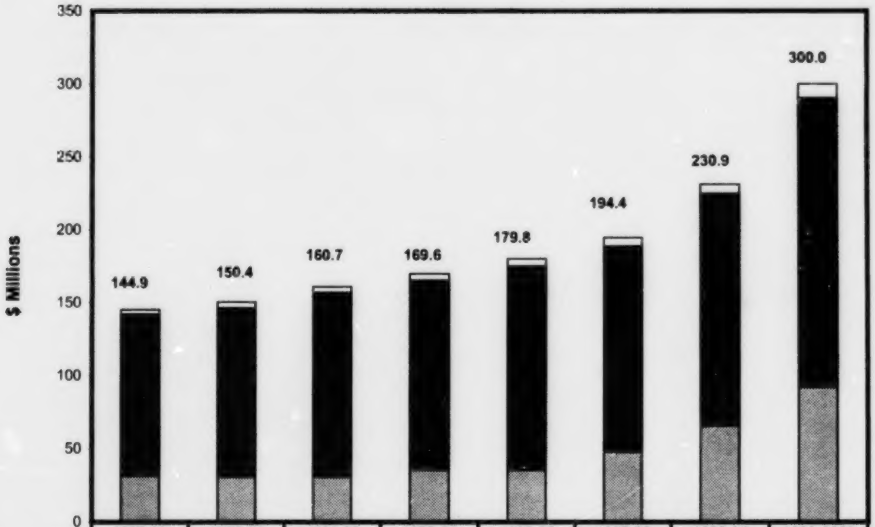
- Support university efforts to attract and keep talented researchers in areas of identified strengths through the Research Excellence Envelope, and
- Select and fund research proposals that offer potential to train young researchers.

The ability of universities and teaching hospitals to attract research funding is an indicator of the quality of their faculty and their research programs. The more funding these institutions can attract, the better able they are to attract and retain world-class researchers. These researchers in turn, attract a critical mass of talent, further enhancing the strength of the workforce supporting science and innovation.

Figure 1 shows the increase in total sponsored research funding and the changes within each source of sponsored research. Total sponsored research funding from all sources to Alberta's university system increased by approximately 30 per cent between 1998 - 1999 and 1999 - 2000.

The increase in industry/non-profit funding is an indicator of the increasing relevance and importance of the universities' research effort to the community and business sector. The increase in provincial government funding reflects a recognition of the vital importance of research to the innovation system which is central to economic competitiveness and quality of life concerns.

Figure 1
Sponsored Research at Alberta Universities



	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
□ Other	3.10	4.10	4.00	4.60	5.00	6.00	6.40	9.80
■ Industry/Non-Profit	37.30	40.90	44.90	49.80	59.50	61.50	72.90	79.30
■ Federal Government	73.10	74.60	81.00	79.80	79.80	79.20	86.20	118.90
▨ Provincial Government	31.40	30.80	30.80	35.40	35.50	47.70	65.40	92.00

Source: University of Alberta, University of Calgary, University of Lethbridge, and Athabasca University

Goal 1: Alberta has a highly qualified workforce to support innovation and science

Key Performance Measure:

Alberta ICT Advantage

Discussion (Table 1):

This measure relates directly to the following strategies/objectives under Goal 1:

- Increase the number of knowledge workers in the Alberta economy,
- Create 35,000 new jobs in the information and communications technology sector by 2005, and
- Through iCORE Inc. (Alberta Informatics Circle of Research Excellence), attract and grow a critical mass of outstanding researchers in the fields of computer science, electrical and computer engineering, physics, mathematics and other ICT - related disciplines.

INNSCI is actively involved in growing, retraining and attracting skilled workers in the Information and Communications Technology (ICT) sector. With the proper development of this sector, Alberta can seize the opportunity to become more productive and competitive in the global economy. By 2005, we are targeting the number of Albertans employed in the ICT sector to increase by 35,000.

In 2000, INNSCI developed a definition of the ICT [xi] sector based on the North American Industrial Classification System (NAICS). Our 1999 - 2000 estimate and targets were adjusted to reflect numbers we obtained using this new definition. Table 1 reflects these adjustments.

The number of ICT workers in Alberta for 2000 has increased by 7 per cent since 1999, however, it has fell just short of the target. Since much of our present activity is future focused, we cannot make immediate conclusions as to why expectations for growth were not met. Labour Force Survey data at this level of aggregation tend to vary considerably from year to year due to the small sample size used in the survey. These variations may not be representative of the number of ICT workers in Alberta. The real value of this measure will lie in tracking it over the next 5 to 10 years to determine whether INNSCI activities aimed at growing the ICT sector are achieving results over the long-term.

Table 1
Number of People Employed in the ICT Sector

	1999 Actual	2000 Target	2000 Actual	2005 Target
Number of ICT Workers in Alberta	50,300	55,300 to 60,300	53,700	85,300

Source: Statistics Canada–Labour Force Survey 2000.

Goal 1: Alberta has a highly qualified workforce to support innovation and science

Supplementary Performance Measure:

a.) Develop a measure showing the number of grade 12 students who have completed course requirements for entry into science and technology programs at the post-secondary level

b.) Compare this with how many grade 12 students actually enter these programs

Discussion:

Data from post-secondary learning institutions does not differentiate whether first year science students are recent Alberta high school graduates, mature students coming from the workforce, or out-of-province students. This, coupled with the lack of consistency among post secondary science and technology programs and admission requirements hindered the anticipated development of these measures.

Support for this supplementary performance measure can be found under Goal 7: "Albertans recognize the benefits of innovation and science" on page 40 of this annual report which highlights the results of a study by Elizabeth Cannon and Judy Lupart (2001).

Goal 1: Alberta has a highly qualified workforce to support innovation and science

Discussion (Figure 2):

Scientists, engineers, technologists and technicians play a critical role in the innovation-based economy as developers of new ideas that result in new processes and products. Strong human capital capacity contributes to growth in the innovation-based economy.

Government funding for science and research is one factor that impacts the number of scientists, engineers, technologists and technicians in Alberta. Other influences include the relative strength of the Alberta economy and the intensity of private sector R&D efforts.[xiii] As a result, the percentage of the labour force working in the natural and applied sciences and related occupations is not under the direct influence of government efforts and is reported as an indicator of Alberta's overall situation rather than a performance measure for INNSCI.

This indicator supports the following objective under Goal 1:

- Increase the number of knowledge workers in the Alberta economy.

As Figure 2 illustrates, Alberta held a lead from 1996 to 1999 over Ontario, British Columbia, Québec and the Canadian average in the proportion of those employed in the natural and applied sciences and related occupations. In 2000, however, Alberta lost this lead to Ontario and Québec who employed a greater percentage of people in this sector.

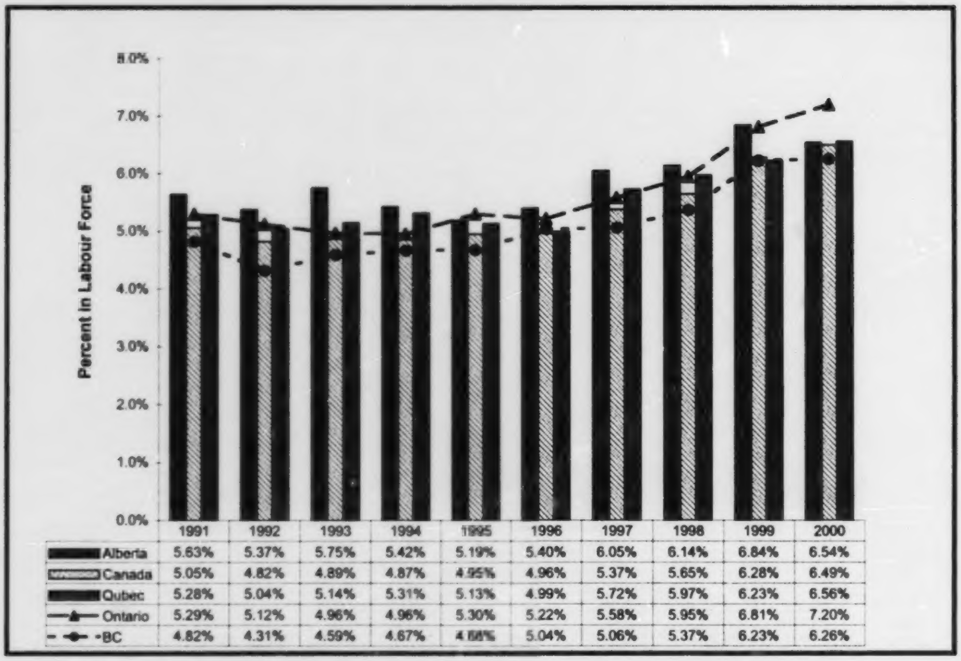
Statistics in the graph were based on the following calculation: [(Workers in the natural & applied sciences & related occupations)/(Total labour force)] x 100.

Supplementary Indicator:

Natural and Applied Sciences, and Related Occupations (includes scientists, engineers, technologists and technicians)[xii]

Figure 2
Natural and Applied Sciences and Related Occupations

(Includes scientists, engineers, technologists and technicians)



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
■ Alberta	5.63%	5.37%	5.75%	5.42%	5.19%	5.40%	6.05%	6.14%	6.84%	6.54%
▨ Canada	5.05%	4.82%	4.89%	4.87%	4.95%	4.96%	5.37%	5.65%	6.28%	6.49%
■ Qubec	5.28%	5.04%	5.14%	5.31%	5.13%	4.99%	5.72%	5.97%	6.23%	6.56%
—▲— Ontario	5.29%	5.12%	4.96%	4.96%	5.30%	5.22%	5.58%	5.95%	6.81%	7.20%
- -●- -BC	4.82%	4.31%	4.59%	4.67%	4.66%	5.04%	5.06%	5.37%	6.23%	6.26%

Source: Statistics Canada 2000 Labour Force Survey, Custom Tabulation

Goal 2: Alberta has a quality science, research, and information and communications technology infrastructure

Key Performance Measure:
High-Speed Connections [xiv]

Discussion: (Table 2)

This measure is related to the following strategy under Goal 2:

- Provide reliable, cost-effective, province-wide information technology and shared network services.

SuperNet will provide affordable high-speed network connectivity to every community in Alberta with a health or learning facility. These 422 communities will have a broadband network infrastructure. The construction of SuperNet, expected to be completed in three years, will make available high-speed Internet access at competitive urban prices to residents and businesses within these communities. This initiative provides the infrastructure to support the expansion of a knowledge-based economy and the opportunities that accompany it.

Further to the 2000 – 2003 Business Plan, the scope of this measure has been refined to reflect the priority of providing affordable high-speed network connectivity to government offices, learning and health facilities within communities identified for SuperNet. Of the estimated 4700 government facilities eligible for SuperNet access, over half of these facilities are learning institutions. Health facilities and government offices are also located in many of the same communities as the learning institutions and will have the availability to SuperNet as well.

Currently, 100 per cent of schools in Alberta that wanted to connect to the Internet have been connected as a result of the provincial program or through local school jurisdiction initiatives[xv]. Of those, only about 16 per cent have a high-speed connection. In order to fulfill all that high-speed networks have to offer, it would be advantageous for all Alberta schools to have access to SuperNet.

As shown in Table 2, baseline estimates for 2000 have been developed. An updated estimate for 2001 was not developed because as the successful consortium members for the SuperNet project were announced in November 2000, it was anticipated that learning institutions would wait for further details on the SuperNet implementation plan, before making any decisions on access to high-speed Internet.

Once this baseline estimate was developed, we revised our targets from the 2000 - 2003 Business Plan to reflect the construction schedule accurately. This construction schedule was under development as part of the contract negotiation process with the consortium members during the remainder of 2000 - 2001. The implementation plan will be further developed in fiscal year 2001 – 2002 in order to provide detailed information to government offices, learning and health facilities in the targeted communities on the construction process for SuperNet. Progress will be reported annually as the SuperNet infrastructure is built.

Table 2
Percentage of Schools[xvi] in Alberta with High-Speed Connections

Learning Institutions	2000 Estimate	2001 Target	2002 Target	2003 Target	2004 Target
Kindergarten to Grade 12	16	30	50	75	100
University / College	14	20	60	80	100

Source: Alberta School Jurisdictions and post-secondary institutions.
Note: The 2000 Estimates reflect only the percentage of learning institutions with a high-speed connection (10 Mbs or more).

Goal 2: Alberta has a quality science, research, and information and communications technology infrastructure

Key Performance Measure: Research and Technology Infrastructure

Discussion:

Research Infrastructure: In the 2000 - 2003 Business Plan, this key performance measure was intended to quantify the research infrastructure here in Alberta. Development towards this measure has not progressed as anticipated due to its complexity and breadth of scope. An effective method of systematically quantifying infrastructure for the use of research has not yet been identified. This performance measure is not pursued in the 2001 - 2004 Business Plan.

The 2001 - 2002 Annual Report will address Alberta's research technology infrastructure by revealing the strategic investments through the Alberta Science and Research Investments Program (ASRIP) to enhance key research activities and infrastructure at Alberta universities, research hospitals, and other research organizations.

Technology Infrastructure: The Alberta SuperNet is intended to increase the quality and quantity of Alberta's technology infrastructure. There will be numerous benefits realized as a result of SuperNet. For example, access to high-speed communications for the sharing of huge data files and high definition images enables entirely new kinds of research to be undertaken. Providing access to communications links also enables teams of researchers to work together on projects as well as enabling smaller and remote institutions to participate in leading edge research in Alberta and worldwide. The progress of the SuperNet project will be reported on in next year's annual report.

Goal 3: Alberta has an internationally competitive science and research system

Key Performance Measure:
R&D investment in Alberta by Source

Discussion: (Figure 3)

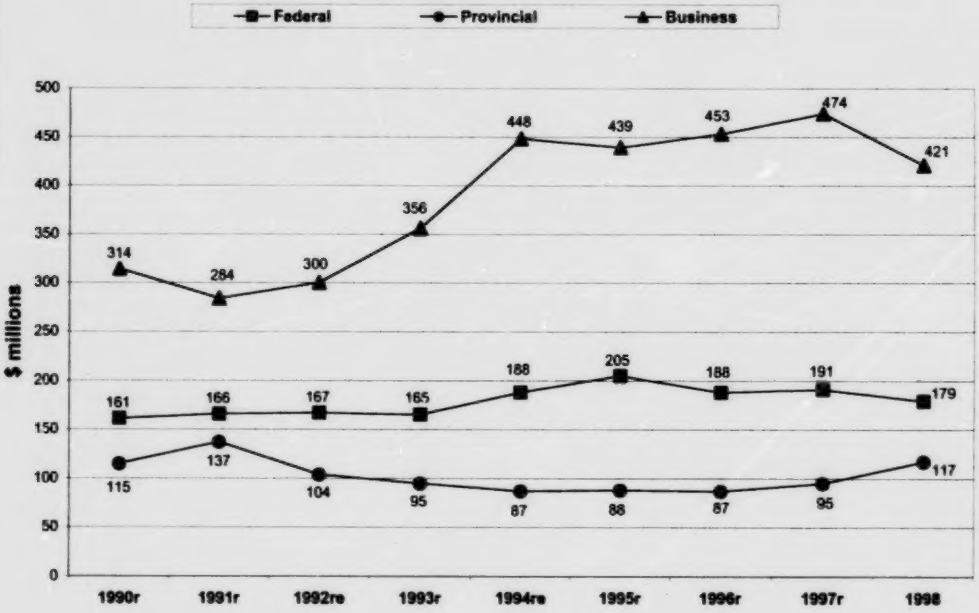
This measure supports the following objective under Goal 3:

- Increase the investments in R&D from private and public sectors.

In an innovation-based economy, investment in science and R&D is a key driver of business growth and success. The levels of investment in R&D directly influence the competitiveness of our science and research system.

Figure 3 illustrates that business expenditure on R&D in Alberta has increased 34 per cent (from $314 to $421 million) from 1990 to 1998 with an increase of 11 per cent (from $161 to $179 million) in federal expenditures. While there has been a net increase of 2 per cent (from $115 to $117 million) in provincial expenditures on R&D between 1990 and 1998, there has been a downward trend in federal spending since 1995. These decreases were likely due to national and global events. There is every indication that funding levels have recovered given the recent increases in Alberta based private ICT R&D activity and increased federal emphasis on research, although complete data is not yet available. By 2005 we are aiming for a total R&D investment from all three sources of $2 billion.

Figure 3
R & D Investment in Alberta by Source



Source: Statistics Canada – 88F0006XIE01001 Estimates of Canadian Research and Development Expenditures (GERD), Canada, 1989 to 2000e, and by Province, 1989 to 1998, pages 30-31.

e = The values for business sector investment in R&D for 1992 and 1994 are estimates, as a complete survey was not conducted for those years.

r = These values have been revised by Statistics Canada since first released.

Goal 4: In Alberta, there is effective commercialization and adoption of science and technology

Key Performance Measure:

Business Innovation [xvii]

Discussion:

This measure is aligned with the following strategies under Goal 4:

- Promote the Alberta Advantage to attract venture capital investments to Alberta, and
- Promote the use of electronic commerce among Albertans.

Preview of New Measure

Innovation is a process through which economic value is extracted from knowledge. Research can provide Alberta businesses with the knowledge to develop new or improved products and services. Businesses can also increase efficiency through new processes and technology.

To remain competitive on a long-term basis, Alberta businesses need to cultivate innovative practices. Adopting new technology and developing products and services can enhance Alberta's competitiveness and provide access to new markets. The degree to which Alberta firms utilize new technology can impact their capacity to innovate and their future competitiveness.

The Business Innovation measure has been newly developed to track the extent to which Alberta businesses display innovative behaviour. Beginning next year, this measure will track the proportion of businesses that use the Internet to buy and sell goods and services, and the economic activity attributable to those businesses. These results will be tracked using provincial data from the Statistics Canada Information and Communications Technologies and Electronic Commerce Survey.

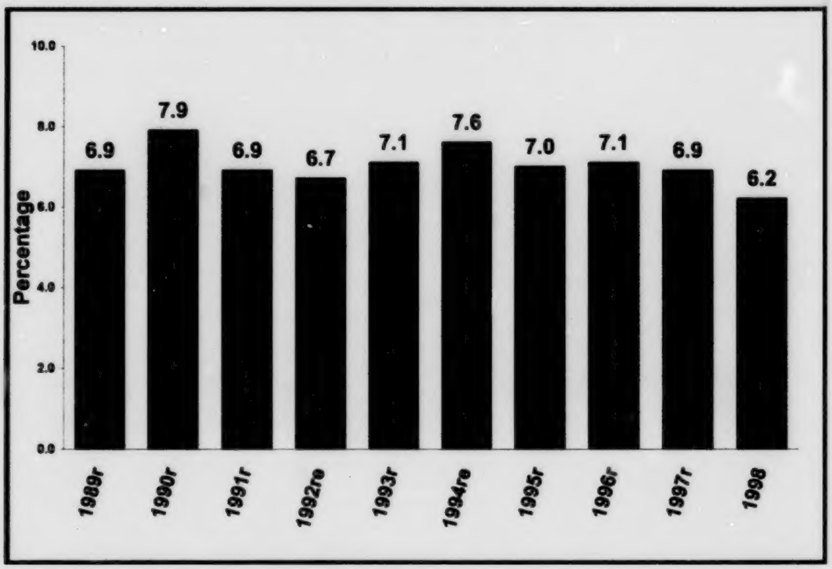
Supplementary Information (see Figure 4)

Figure 4, which focuses on Alberta business expenditure on research and development (R&D) as a percentage of Canadian expenditure on R&D, is provided as supplementary information. There are many catalysts of innovation, one of which is investment in R&D. In 1998, Alberta's business expenditure on R&D as a percentage of national expenditures dropped to 6.2 per cent, after averaging at 7 per cent for the previous three years. This reflects a decrease of over 11 per cent ($53 million) in Alberta business R&D expenditures between 1997 and 1998. In contrast, Québec is the only province to see an increase in its business R&D expenditure as a national percentage from 1997 to 1998 (2 per cent), reflecting an increase of over 4 per cent ($90 million) in Québec business R&D expenditures during that period.

Figure 4

Alberta Business Expenditure on R & D

(as a Percentage of Canadian Business Expenditure on R & D)



Source: Statistics Canada, Estimates of Canadian Research and Development Expenditures (GERD), Canada, 1989 to 2000e, and by Province 1989 to 1998, February 2001 (Cat. No. 88F0006XIE01001).

r = Revised. These values have been revised by Statistics Canada since first released.

e = Based on estimated data.

Goal 4: In Alberta, there is effective commercialization and adoption of science and technology

Key Performance Measure:

Value – Added Industries [xvii]

Discussion (Figure 5):

Measuring Alberta Manufacturing and Primary Resources Industries as a percentage of provincial Gross Domestic Product (GDP) speaks to the following strategies within Goal 4:

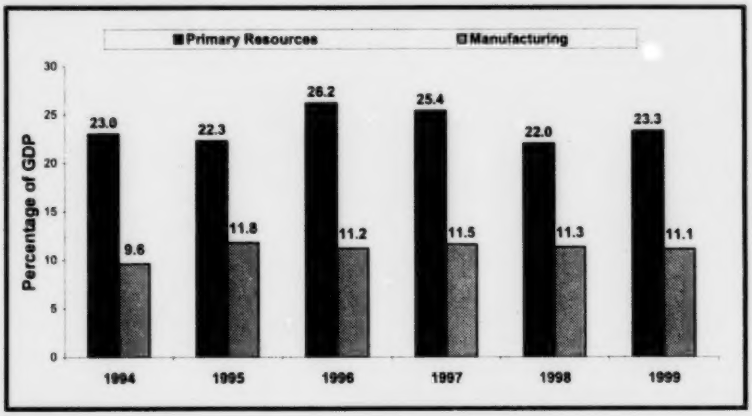
- Develop and promote the network of University Technologies International (UTI) and the Industry Liaison Office (ILO) to actively encourage more companies to adopt new technologies,
- Increase access to management and marketing assistance to provide information and support to facilitate adoption of research and technology development results,
- Promote and leverage the technology commercialization networks established in Alberta to maximize results, and
- Promote economic development through the commercialization of research in existing and emerging industries and encourage the direct application of research in relevant public and private organizations.

Alberta's economy has historically been resource based and resources still account for over 20 per cent of provincial GDP. To enhance Alberta's global competitiveness and enable more stable long-term economic growth, we would like to increase the level of value-added economic activity. Value-added industries include resource processing, manufacturing of goods, and the provision of various services. This measure tracks the percentage of provincial GDP (at factor cost) contributed by the manufacturing sector, as a proxy for Alberta's value-added industries. Primary resource industries are included for comparison to the value-added sector.

Alberta's manufacturing sector accounted for 11.1 per cent of provincial GDP in 1999, up from 9.6 per cent in 1994. Alberta's electrical and electronics industry, which INNSCI is actively promoting both locally and abroad, is expected to outperform the manufacturing sector as a whole in 2000 - 2001. Continued demand for computers and telecommunications equipment will contribute to this expected increase.

Figure 5

Alberta Manufacturing and Primary Resources Industries
(as a Percentage of Provincial GDP)*



Source: Alberta Economic Accounts 1999, Table 10 (historical data revised).

* Based on estimated data.

Table 3 (see Goal 5 Discussion, next page)
ARC Growth in Spending on Greenhouse Gas Strategic Initiative

	1999-2000 Actual	2000-01 Actual	2001-02 Target	2002-03 Target	2003-04 Target
Total Spending ($ thousands)	679	984*	1,000	1,180	810
Total Contract Revenue ($ thousands)+	1,918	2,523	4,698	9,575	12,110
Number of Projects	21	34	33	33	33
Number of Partners	45	50	55	60	65
Total ARC Persons Involved ++	10.2	14.7	14.9	22.1	25

Source: Alberta Research Council Inc.

+ Includes consortium projects where ARC is the Program Manager/Coordinator.

++ Full-time Equivalent.

* Budgeted amount; actual amount spent not available.

Goal 5: In Alberta, there is effective application of science and research for improving stewardship of resources and environment

Key Performance Measure:

Set targets for customer satisfaction and uptake of research

Discussion:

Preview of New Measure

Innovation and Science initially proposed to report on customer satisfaction and uptake of research to address the effective application of science and research for improving stewardship of resources and environment in the 2000 - 2003 Business Plan. Since that time, these measures were not considered effective indicators of application of science and research for improving stewardship of resources and environment. To improve relevancy, INNSCI concentrated on developing a new measure for inclusion in the 2001 - 2004 Business Plan, Development of Renewable Resource Technologies - 'ARC Growth in Spending on Greenhouse Gas Strategic Initiative' (see Table 3, on previous page). This measure includes initiatives in fossil fuels, agriculture and forestry, supporting technology and public good. Table 3 was developed for the 2001 - 2004 Business Plan and will be formally reported on in the 2001 - 2002 Annual Report.

Improved stewardship of resources also includes applying science and research efforts to enhance the recovery and usage of all energy resources and processing to higher-value energy products. Uptake of research, as seen with the Alberta Taciuk Processor (ATP) and the Steam Assisted Gravity Drainage (SAGD) is important but difficult to measure on a yearly basis. INNSCI has supported development of the following technologies currently being applied by industry:

- ATP: This technology was originally developed for use in the Alberta oil sands (through the support of AERI) but was later adapted to effectively process oil shale.
- SAGD: This technology uses steam to help extract bitumen from oil sands that is buried too deep for surface mining and was previously considered to be unrecoverable.

Goal 6: Alberta demonstrates excellence in the development, delivery and use of information, and information and communications technology in the delivery of government services

Key Performance Measure:

Continue to develop measures for: Efficiency objective, Use of data standardization by ministries and Use of data dictionary by ministries

Discussion:

This measure aligns to the following strategy outlined in Goal 6:

- Lead information technology planning, standardization and ongoing development of a compatible, secure electronic information and communications infrastructure for government.

In 2000 - 2001, INNSCI continued to develop measures related to:

- Efficiency objective
- Use of data standardization by ministries, and
- Use of data dictionary by ministries

However, the results of on-going analysis indicated that a more meaningful measure could be created if the scope was enlarged. To improve relevancy, INNSCI concentrated on developing a new composite measure for inclusion in the 2001 – 2004 Business Plan called "Common Platform and Tools". This new measure reflects aspects of the three measures originally under development. For example, the Efficiency Objective is captured in the item called Server Optimization. This measure reflects reductions in the number of government servers and the corresponding increased efficiency that will be gained in the support and management of these servers. The other two measures, Use of Data Standardization and Use of Data Dictionary, are reflected in varying degrees within the components of the composite measure.

This new measure tracks percentage completion in several key areas focused on increasing efficiencies in government's use of information technology. When taken together, these items provide an overview of the evolution of government's corporate technology framework. Components tracked in this composite measure include:

- Degree of departmental support and participation in the launch of an ongoing Government of Alberta Enterprise Architecture Program
- Enterprise Standards Management Process
- Design of a Distributed Computer Support model to reduce the complexity and expense of managing and supporting the government's distributed computing infrastructure
- Desktop Standards (email, hardware, software, etc)
- Process Standards
- Security
- Server Optimization (targets will focus on the net percentage reduction in the number of servers across government).

Baseline estimates for the items included in this measure are currently being validated and progress will be formally reported in the 2001 - 2002 Annual Report.

Goal 7: Albertans recognize the benefits of science and innovation

Key Performance Measure:

a.) Continue to develop measure on student and parent perceptions of science and technology as a career choice

b.) Continue to develop measure on public perception of benefits of innovation and science

Discussion (Table 4):

These measures are aligned with the following strategies under Goal 7:

- Promote science awareness and literacy,
- Communicate with Albertans regarding Innovation and Science successes and their benefits to Albertans,
- Work with provincial science and technology associations to promote increased application of research by producers, processors, policy makers and the general public, and
- Work with key Alberta science, research and technology organizations to enhance the science culture and literacy within the province.

The performance measure used partially speaks to the proposed key performance measure. Upon examination of the available data, this option was deemed the most appropriate in assessing the perceptions of students and parents on science and technology as a career choice. Innovation and Science will continue to investigate other means of gauging the perceptions of students in all grades (K - 12) as well as their parents on science and technology as a career choice.

a.) Student and parent perceptions of science and technology as a career choice.

Table 4, which illustrates the results of a survey of grades seven and ten students, provides baseline data demonstrating that boys show a consistent interest in pursing careers in science and math as well as information technology. However, grade seven girls' interest in science and technical careers decreases by the time they reach grade ten.

Innovation and Science would like to foster more technological interest and confidence in girls at an early age and retain that enthusiasm over the period between grades seven and ten. The Ministry continues to sponsor the work of groups like Women in Science and Engineering (WISE) and fund initiatives like SCIberMentor, an email-mentoring project to connect school age girls with women who are studying science and engineering at post-secondary institutions or practicing in industry and government.

b.) Public perception of benefits of innovation and science.

Work has begun on monitoring public awareness and opinions concerning the importance of science, research and development, specific government initiatives and government spending. Results from these initiatives will be reported in the 2001 - 2002 Annual Report.

Table 4
Top Six Career Choices[xviii] for Students

	FEMALE		MALE	
RANK	**Grade 7**	**Grade 10**	**Grade 7**	**Grade 10**
1	Artist	Artist	Information technology	Science or math-related professional
2	Health professional	Health professional	Other professions	Other professions
3	Other professions	Other professions	Science or math-related professional	Information Technology
4	Environment-related	Human Services	Protective or military service	Protective or military service
5	Human services	Healthcare worker	Health professional	Environment-related
6	Science or math-related professional	Environment-related	Artist	Artist

Source: Cannon, Elizabeth and Lupart, Judy L. "Gender Differences in Grade 7 and 10 Students towards Science, Math, Computers and Future Career Choices." NAMEPA/WEPAN 2001, Conference, Alexandria, VA. 21-24 Apr. 2001.

Goal 8: The Ministry of Innovation and Science leads and supports the innovative and effective management of human resource capital

Key Performance Measures:

a.) Percentage of employees who understand how their work contributes to the Innovation and Science Business Plan. Set target based on data collected in 1999 - 2000

b.) Percentage of employees who are satisfied with their employment at Innovation and Science. Set targets based on data collected in 1999 – 2000

Discussion (Table 5):

Collecting survey data from Innovation and Science employees addresses the following strategy outlined in Goal 8:

- Continue to implement the Human Resource Strategy.

Employee satisfaction is an important indicator of the effectiveness with which human resource capital is managed. It is critical that employees understand where they fit in, and that they are satisfied with their work and feel they have adequate supports to continue their professional development. Since the development of the 2000 - 2003 Business Plan, targets have been added under this goal.

Results outlined in Table 5 indicate that in 2000 - 2001, INNSCI employees continued to indicate an overall level of satisfaction with their employment at INNSCI that was higher than that of employees across government. However, knowledge among employees regarding how their work contributes to the ministry business plan was lower than anticipated. This result was lower than that for all of government employees. This is likely a reflection of the significant evolution of the INNSCI business plan since the Ministry was formed in 1999 and a need to improve internal communications regarding the business plan to employees.

Table 5
Government Survey of Innovation and Science Employees

Measure	1999 - 2000 Baseline	2000 - 01 Actual
Employees who know and understand how their work contributes to the achievement of their department business plan	84%	77%
Employees who are very/somewhat satisfied with their employment at Innovation and Science/Government of Alberta	83%	88%

Source: Government of Alberta, *Topline Frequencies of the Results of the 2000 Core Humans Resources Measures Survey of Employees of the Government of Alberta.*

Goal 8: The Ministry of Innovation and Science leads and supports the innovative and effective management of human resource capital

Key Performance Measures:

a.) Development of supports and strategies for continuous learning

b.) Development of leadership continuity strategies for key positions

Discussion:

These measures speak to the following strategies of Goal 8:

- In partnership with the Personnel Administration Office, develop:
    - competency requirements for employees,
    - policy regarding employee development/training (including targets), and
    - a succession plan for employees and
- Develop and implement a plan to ensure a positive work environment for employees including opportunities for development.

The source for the following information is the Human Resources division of INNSCI.

a.) Development of supports and strategies for continuous learning.

The Ministry maintained its emphasis on investment in continuous learning activities such as supporting participation in various courses, post-secondary tuition reimbursement, conference registrations, secondments, project assignments, etc. Other key initiatives included:

- Extensive participation in the Management Development Program and the Senior/Executive Management Development Program. These programs are offered through a partnership between the Government of Alberta and the University of Alberta and endeavor to enhance leadership skills. Thirty-five INNSCI employees participated in these programs with two that have graduated to date.
- INNSCI participated in the Career Assignment Program sponsored by the Federal Government. The program is an integrated management development program, which includes candidate assessment and an educational component.
- INNSCI implemented a policy that makes available information technology hardware and software to allow employees to enhance their skills in this area.

b.) Development of leadership continuity strategies for key positions.

A leadership plan has been developed with a focus on Ministry executive manager positions.

Future Challenges

Several performance data and measures will be evaluated to ensure they adequately demonstrate the impact of INNSCI on the economy, communities and environment in Alberta. INNSCI is working with Finance to develop relevant performance measures on business innovation, and also researching the availability of data from other sources. INNSCI intends to better integrate the goals and targets of ARC Inc. and iCORE Inc. into the planning and evaluation process within the 2001 - 2002 Annual Report which will reflect the 2001 - 2004 Business Plan. Targets are essential to measuring and monitoring our accountability. The 2001 - 2004 Business Plan includes targets for all key and supplementary performance measures.

Discussion of Financial Performance

Revenue

INNSCI generates revenue by contracting with the private sector and other government departments for the provision of research services, as well as providing data information technology to government departments and agencies on a charge-back basis. Approximately $34.0 million (32 per cent) and $26.8 million (25 per cent) of INNSCI's 2000 - 2001 revenue was a result of research services and information technology services, respectively. In addition, INNSCI receives a significant portion of its revenues ($40.8 million or 38 per cent) as a grant from the Lottery Fund for research and development initiatives.

Comparison of 2000 - 2001 Actual to 2000 - 2001 Authorized Budget

In 2000 - 2001, revenues were lower than budgeted primarily due to reduced revenues from IMAGIS charge-back costs to government departments and agencies and a decrease in contract research revenue.

Comparison of 2000 - 2001 Actual to 1999 - 2000 Actual

Revenues in 2000 - 2001 were higher than in 1999 - 2000 due to higher levels of contract research revenue and an increase in the level of IT services provided to government departments and agencies.

Operating Expense

Significant programs provided by INNSCI in 2000 - 2001 include:

- $81.3 million (or 38.1 per cent) for science and research,
- $4.4 million (or 2.0 per cent) for research and technology commercialization,
- $63.4 million (or 29.7 per cent) for government information and communications systems, and
- $59.9 million (or 28.1 per cent) for the Alberta Research Council.

Comparison of 2000 - 2001 Actual to 2000 - 2001 Authorized Budget

Expenditures were lower than budgeted primarily due to:

- delays in the implementation of information technology and telecommunications initiatives,

- lower than anticipated spending on IMAGIS, and
- decreased contract research.

Comparison of 2000 - 2001 Actual to 1999 - 2000 Actual

The increase in actual operating expenses in 2000 - 2001 compared to 1999 - 2000 was primarily a result of:

- higher levels of contract research,
- an increase in level of IT services provided to government departments and agencies,
- a one-time budget increase for science and research, and
- 2001 being the first full year of operation for iCORE Inc.

Capital Investment

Comparison of 2000 - 2001 Actual to 2000 - 2001 Authorized Budget

Capital investment was lower than budgeted due to a decrease in spending on information technology investments.

Comparison of 2000 - 2001 Actual to 1999 - 2000 Actual

Capital Investment in 1999 - 2000 was higher than normal due to the accounting impact of the acquisitions of C-FER Inc. and the Petroleum Recovery Institute by the Alberta Research Council. Per the government's accounting policy, the value of assets acquired with these organizations was recorded as a capital investment in 1999 - 2000 even though both organizations were acquired for a nominal sum.

ALBERTA RESEARCH COUNCIL INC.

Highlights

The Alberta Research Council celebrated its 80th anniversary during 2001. There were several events to commemorate the occasion, including the opening of a time capsule that had been sealed since 1955 in the Robert Newton Building at the University of Alberta, the first permanent home of ARC. In addition, 80,000 seedlings were donated to Junior Forest Wardens and Rangers for planting across the province.

Key Activities/Outcomes 2000 - 2001

The Alberta Research Council develops and commercializes technologies to give customers a competitive advantage. ARC has adopted three strategic goals to pursue this agenda.

ARC Goal 1: ***Enhance the competitiveness of Alberta's agriculture, energy, forestry and knowledge-based industries.***

The Research Council is working with Powertech Labs Inc., a subsidiary of BC Hydro, and Institut de Recherche d'Hydro-Québec (IREQ), Hydro-Québec's research division, to develop an intelligent software system that will help electrical systems operators make optimal decisions quickly under dynamically changing conditions. The innovative software uses state-of-the-art developments in knowledge discovery and management through the application of intelligent systems, machine learning and neural networks. PRECARN Associates, a not-for-profit, industry-led consortium, is providing 40 per cent of the project funding.

ARC is engaged in a collaborative research project with an Edmonton plant biotechnology company to develop promoters for genetically improved crops that are efficient in nitrogen utilization and are resistant to diseases and insect pests. The joint research project combines the Research Council's expertise in crop improvement and plant disease management, with the expertise of AgriGenomics Inc. in genetic mapping and gene identification. This three-year project is focused on developing molecular tools for improving crops.

Research Council scientists and engineers are working with pulp mills and wood chip suppliers to develop and test reliable online measurements of chip quality. One development to date is a colour-imaging instrument that shows the brightness and residual bark content of wood chips on a conveyor. This technology has been tested with good results in a variety of industrial applications. Another innovative development uses high-speed gas chromatography technology to identify wood species by analyzing the chemical makeup of the vapor from heated wood chips. An online prototype has measured the spruce-to-pine ratio using vapors from the atmospheric chip steaming bin in a softwood mill. Both instruments are equipped with access to remote control and data transfer.

An independent research report evaluating the socio-economic impacts of eight ARC agricultural projects shows high rates of return both for the producer and consumer. The advances in knowledge and new technologies resulting from these projects have produced substantial economic benefits to Alberta's agrifood industry and the provincial economy according to the report.

A Clean Energy Research Program (CERP) is being established to enhance the competitiveness of Alberta's energy resources. The program will develop and demonstrate the technology required to integrate energy resources development, production and utilization.

ARC Goal 2: *Provide a specialized and sustainable R&D infrastructure in Alberta.*

ARC performed R&D contract services for the private sector and other external customers including the Government of Alberta totaling $37.2 million, which was $7.1 million higher than the previous year. Toll manufacturing in the Biotechnology Unit increased significantly.

ARC's new George W. Govier Centre for Flow and Sensor Technologies was established to help industries develop innovative technologies and processes to improve efficiency and cost-effectiveness. The centre, which opened in November 2000, tests and develops equipment used in complex flow systems. ARC worked closely with industry to incorporate features that meet client needs and operational requirements. The Govier Centre complements existing R&D services provided to the energy industry and expands the corporation's flow and sensor expertise to other industries, such as pulp and paper and chemical processing.

C-FER Technologies has developed a niche servicing the ultra deep water pipeline testing market. As a result, British Petroleum recently awarded C-FER a major contract to test materials and conduct 33 full-scale collapse tests on large diameter pipes proposed for use in transporting hydrocarbons in depths of up to 2,000 metres in the Gulf of Mexico. C-FER successfully completed earlier testing contracts for ultra deep water pipeline projects in Russia and the Middle East.

ARC Goal 3: *Develop and commercialize technologies that will benefit Alberta.*

ARC received $3.6 million in royalties, licensing fees and product sales from the commercialization of technology, which was $1.9 million higher than the previous year. Over the past five years, ARC has increased its technology commercialization revenues by 1,400 per cent. The Technology Commercialization office has added 56 new projects to their investment portfolio, ranging from an *E. coli* vaccine to natural products for agricultural pest control.

A new enterprise unit, Aquantix, was established in 2000. Aquantix has developed and field-tested a new group of online process analysers that could help pulp and paper companies save money by better monitoring and controlling their water treatment processes.

Corporate Business Goals, Performance Measures and Projections

Business Goals	1998/99 Actual	1999/2000 Actual	2000/2001 Projection	2000/01 Actual	2001/02 Projection	2002/03 Projection	2003/04 Projection
Economic Impact ($M)	143	165*	180	C	190	200	220
Job Creation (direct jobs)	712	807	810	C	830	860	890
Revenue from Private Sector:							
a.) Private Contract R&D Revenue ($M)	16.9	22.2	26.2	27.2	29.7	29.1	32
b.) Commercialization Revenue ($M)	1.7	1.7	5.7	3.6	7.2	10.1	14.9
ASRA Investment ($M)	25.4	27.1	25.1**	25.1**	24.7**	27.1	27.1
Ratio – Private Revenue $ / Gov't Investment $	0.73	0.88	1.27	1.23	1.49	1.45	1.73
Mission Effectiveness (Economic Impact/Govt. Investment)	5.6	6.2	7.2	C	7.7	7.4	8.1
Customer Satisfaction ***	96.6%	97.0%	97.5%	96.8%	97.8%	98%	98%
Employee Satisfaction **	76.5%	77.2%	78%	73.1%	78%	79%	80%

C - These figures are currently being calculated; all others for this year are actual numbers.

* - Number corrected subsequent to publication of Alberta Research Council 2000 Annual Report.

** - These figures include a loan of $4.382 million to be repaid to ASRA over these two years.

Economic Impact – Impact on client sales and productivity due to ARC involvement, from R&D contract work, ARC out of province contract revenue, medium term R&D and consortia.

Job Creation – New jobs resulting from Economic Impact.

Private Contract R&D Revenue – Stated as Commercial Contract Revenue in ARC 2000 Annual Report.

ASRA Investment – Stated as investment from Province of Alberta in ARC 2000 Annual Report.

Commercialization Revenues – ARC royalties, licensing fees and product sales.

Employee Satisfaction – Average of responses to question 1 of Employee Survey, "Overall, I am satisfied with ARC as a place to work."

Customer Satisfaction – Sample size was changed in 2000 – 2001 for more effective business practices.

Key Factors Affecting Performance

2000 - 2001 Commercialization Revenues are lower than projected because the pace of growth in ARC's ZiMARC enterprise unit is slower than anticipated.

Employee Satisfaction decreased this year is due to lower satisfaction concentrated in a few ARC business units, where there is market uncertainty and associated employee concern.

ARC is limited by the ability to acquire investment capital to maintain and sustain R&D infrastructure.

Anticipated Changes and New Directions in 2001 - 2002

ARC is developing plans to create a Centre for Advancement in Forestry Innovation (CAFI) to deliver new technology commercialization capacity, capability and physical infrastructure. CAFI will accelerate the growth of Alberta's forestry sector by better coordinating the efforts of the technology and research providers and streamlining their communications with industry. CAFI will also position the Province and ARC as forestry and forest product technology and research leaders.

ARC is pursuing a Clean Energy Research Program (CERP) via (1) Clean Coal Technology; (2) Oil Sands Production and Upgrading; (3) CO_2 Management for oil and gas production; and, (4) Alternative Energy.

One of the projects included in CERP is a joint development agreement between ARC and Energy Ventures Inc. (EVI). This project involves creating commercial prototypes of a fuel cell that will be less expensive to build and simpler to put in service than others currently in development. The program is based on EVI's proprietary Direct Methanol Fuel Cell technology, which eliminates the need for expensive and complicated hydrogen distribution infrastructure. Ontario based EVI is moving the project to Alberta, where the skills and facilities required are available in ARC's Calgary facility. By combining the technical strengths of ARC and EVI, this project will accelerate the development of this innovative technology and ensure its successful entrance in the rapidly developing fuel cell market. ARC will invest up to $3 million over a three-year period, including technical and management resources. In return, ARC will receive common shares and warrants in EVI.

Key Factors Affecting Performance

ARC is in the process of obtaining additional measures, by means of a reputation survey.

iCORE INC.

(Alberta Informatics Circle of Research Excellence)

Highlights

- Achieved 5 Chair and Professorship Establishment (CPE) Grants
- Achieved 3 Research (RG) Grants
- Established 5 Chairs and Research Fellows to commence in 2000 - 2001
- Committed $24.6 million iCORE research funding
- Leveraged ~$25 million of funding for iCORE researchers
- Supported 54 graduate students in 2000 - 2001
- Sponsored 9 workshops/sponsorships
- Interacted with 30 industries
- Established 1 industry agreement

Key Activities/Outcomes for 2000 - 2001

iCORE's mandate is to attract and grow a critical mass of ICT researchers in order to promote the knowledge based economy of Alberta. In its first year of operation, iCORE has established itself as a significant force in Alberta's ICT research community. Last year, iCORE recruited four senior ICT researchers from other Canadian universities, supported four ICT researchers at Alberta universities, and has recruited two world-class researchers from outside Canada to come to Alberta. Further, iCORE exceeded its business goals, by awarding five CPE grants, with a target of four, and awarding three research grants, exceeding the target of two.

Most of the iCORE awards to date are in its established five focus areas:

- Wireless
- Software Engineering
- High Performance Computing
- Databases
- Nanotechnology

Researchers have been recruited and funded in the areas of wireless engineering, software engineering, high performance computing, cryptography and micro and nanotechnology.These areas will continue to be supported in order to build a critical mass and sustained research clusters. iCORE is also investigating supporting the need in the province for ICT expertise in bioinformatics and geoinformatics.

In 2000 - 2001, iCORE began to develop performance measures for its programs and its processes. While iCORE is committed to understanding and measuring its results in order to produce and improve its impact, it is too early to evaluate iCORE's performance by traditional research measures. iCORE has directly impacted the number of world-class researchers and the amount of ICT research funding in Alberta. iCORE also has improved the ability of its ICT departments to attract high-quality junior faculty over the past year.

Key Factors Affecting Performance

Key factors affecting iCORE's performance include the ICT downturn, promotion, and presence. The recent ICT downturn has reduced corporate commitments to fund ICT research in the short-term and generated a temporary setback in sector confidence. Nevertheless, excess demand for ICT people exists, despite recent layoffs, and ICT is still the fastest growing economic sector, despite the current contraction in capital markets. iCORE's ability to promote both its presence, and Alberta's commitment to creating a world class ICT community on an international scale, is critical to attract exceptional researchers to the province.

Anticipated Changes and New Directions in 2001 - 2002

In June 2001, iCORE launched a new grant program, the Industrial Chair Establishment (ICE) grant. The ICE program, in conjunction with industry and NSERC funds, is designed to attract researchers who work on industry-related research in the top 10 per cent in their field. Over the next year, iCORE intends to strengthen its current programs and expand in some new directions. In addition to continued recruiting and building on existing strengths, iCORE will award an additional 4 CPE/ICE awards each year, with the goal of supporting a total of 14 research teams in 2002 and 18 in 2003. In addition, iCORE is looking to fund collaborative university research and development projects with industry. iCORE is also considering adding energy and life sciences ICT research in its priority areas.

Changes Needed to Measure Performance

iCORE currently surveys the departments of Computer Science and Electrical and Computer Engineering at Alberta's universities each year to determine the number of faculty, the number of vacant positions, the number of faculty leaving, and the number of graduate students. iCORE has also started collecting results to measure performance such as students supervised, papers published, and research presentations, from its awardees. iCORE's indirect goals are to impact the Alberta economy. In the future, it would be useful to measure the number of spin-off companies, the number of technologies licensed and the graduate students' work environment.

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH (AHFMR)

Key Activities/Outcomes for 2000 - 2001

AHFMR Goal 1: ***To maintain international standards of excellence through an appropriate and effective peer review system.***

209 AHFMR-funded researchers and 312 scientists-in-training are supported at the University of Alberta (U of A), the University of Calgary (U of C), and the University of Lethbridge (U of L). To ensure that all awards are made according to the highest international criteria for excellence, more than 450 reviewers from all over the world provide their reviews or sit on 12 AHFMR standing review committees for awards competitions.

AHFMR Goal 2: ***To manage expenditures to ensure the continuance of AHFMR for future generations while avoiding significant fluctuations in annual spending.***

As of March 31, 2001, the AHFMR Endowment has more than tripled from its original total in 1980. The cumulative funding for biomedical and health research since 1980 now totals over $650 million. Transfers from the endowment were $49 million during 2000 - 2001.

AHFMR Goal 3: ***To maintain and strengthen basic research in order to discover the underlying causes of disease and provide a foundation for patient and health research, the practice of medicine and prevention of disease.***

For 2000 – 2001, $45.5 million is to be awarded over the next five years to key basic research initiatives such as: discovery of a brain site that triggers eating; discovery of the heart protective properties of antibiotics; new strides in diabetes research; new findings on the genes for dyslexia; new information about toxins present in algae food supplements; osteoporosis; community preferences in health care; ethics and patent law; detecting disease cluster; recurrent disease; and stroke risk.

AHFMR Goal 4: ***To expand AHFMR support of patient-based and health research in Alberta and lead new initiatives in these areas.***

In fall of 2000, AHFMR entered a second five-year contract of the Health Collaboration Agreement with Alberta Health and Wellness resulting in $1.87 million in operating grants awarded to 24 researchers from the Health Research Fund, administrated by AHFMR on behalf of Alberta Health and Wellness.

A further $660,000 has been released to 18 researchers conducting on-going projects approved in last year's competition.

The "Research in Practice" Task Force, initiated through the Dissemination Program, completed wide consultations and made guiding recommendations for increasing the transfer of research findings to practice.

AHFMR provided grants to the Alberta Consultative Health Research Network and the Alberta Family Practice Research Network to develop capacity to produce and use health research across Alberta's health system.

AHFMR Goal 5: ***To maintain research education and training programs and encourage young Albertans to pursue research careers.***

Over $6 million was awarded in fellowships, clinical fellowships, studentships and summer studentships to more than 450 researchers in training.

An AHFMR-led collaboration of Alberta Health and Wellness, Alberta Mental Health Board, and the 17 Regional Health Authorities

(RHAs) resulted in the launch of the third community health research-training program called Swift Efficient Application of Research in Community Health (SEARCH III). The $1 million, AHFMR-funded program is training 28 participants in tailor-made, intensive modules. Information from the research projects will help regions make evidence-based budget and program decisions.

AHFMR developed the Heritage Youth Research Summer (HYRS) Program that gave 30 of the brightest high school students summer research experience working and learning in Heritage labs at the Universities of Calgary and Alberta.

AHFMR Goal 6: ***To encourage increased collaboration in Alberta, Canada, and elsewhere among investigators, research institutions, governments, other granting agencies and the private sector.***

AHFMR's President and CEO are part of the Management Team created to develop the new Alberta Heritage Foundation for Science and Engineering Research.

AHFMR engaged in a funding partnership with the Capital Health Authority, the U of A, the Canadian Health Services Research Foundation and the Canadian Institutes of Health Research to establish a Chair in Nursing Research.

AHFMR contributed $500,000 to the Alberta Synchrotron Institute (ASI) partnership with the U of A, U of C, U of L, ASRA, and Western Economic Diversification.

AHFMR contributed to the Canada Research Chairs through stipend and infrastructure funding contributions ($2.5 million over five years) based on amounts funded by Canada Foundation for Innovation and other partners.

AHFMR Goal 7: ***To Continue to Promote the Development of Medical Research-Related Economic Activities in Alberta, Including the Commercialization of Innovations.***

The Technology Commercialization (TC) Program provided $992,123 in project and internship funding during the year. Mentoring and access to expertise for applicants were key areas of program development during the year.

AHFMR participated in and sponsored several TC workshops and forums and contributed to the development of a province-wide TC infrastructure through participation in the Alberta Technology Commercialization Network. We continue to develop in depth case studies of previously funded projects for use in TC workshops and educational forums.

AHFMR's TC program participated in the planning for the InnoCentre program in Alberta.

AHFMR Goal 8: ***To maintain and improve communications with the public, government, the research community, universities, and health-related institutions.***

Information of the Foundation is provided through Newsletters, annual reports, Health Technology Assessment Reports, SEARCH web sites and monthly news bulletins.

AHFMR provided support to two science students as media fellows, with ITV in Edmonton and CBC Radio in Calgary.

The Foundation supported the Alberta Science Fair program with prize money for seven regional winners and for 10 HYRS students to participate in the ASTech Awards.

AHFMR Goal 9: ***To develop a mechanism for the continuing review and updating of the AHFMR strategic plan and for setting priorities.***

AHFMR's Board of Trustees meets quarterly to review planning and directions.

Key Factors Affecting Performance

An International Board of Review (which AHFMR is legislated to organize every six years) met in October of 1998, releasing a report in December that endorsed AHFMR's directions and activities and confirmed AHFMR's seminal role in the province in establishing and continuing to build a first-class research community.

AHFMR performance is based on its primary function of funding research.

The number of proposals submitted and quality of applications is a main determining factor in any of the awards competitions. Since AHFMR works in partnership with the province's universities to recruit and pay salaries of researchers, initiatives on the part of the universities play a large part in recruiting the best and brightest researchers to Alberta.

Anticipated Changes and New Directions in 2001 – 2002

The establishment, over the past 20 years, of a top quality research community and brain trust in Alberta is attracting funding from outside sources at a rate of $2-3 dollars for every AHFMR dollar invested. AHFMR seeks out and initiates new opportunities for matching funding and for collaborative ventures with other provincial and national funding bodies. AHFMR also seeks out opportunities to expand its research portfolio and close the gap between health research results and medical innovations and their application and effectiveness in the health system.

Changes Needed to Measure Performance

Currently, universal mechanisms for measuring comprehensive, overall performance in medical and health research and the impact of that research in socioeconomic terms do not exist. AHFMR carefully tracks the usual scientific metrics of publications, citations and career performance. Other measures, such as case studies, are highlighted in AHFMR's publications. AHFMR actively seeks opportunities that would assist in measuring the impact of investment on research.

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH (AHFSER)

Tradename: Alberta Ingenuity Fund

Key Activities/Outcomes for 2000 - 2001

In February 2000, the Government of Alberta established the Foundation to support a balanced, long-term program of science and engineering research in the province. A $500 million endowment was created to provide interest revenue to fund Foundation operations. As a new foundation, activities have focused on establishing an organizational structure and initiating programs.

Alberta Ingenuity Fund Goal 1:
To establish an effective organizational structure

The Board of Trustees was established. It appointed an interim management committee, which presided over initial operations. After an extensive search, the first President/CEO, Dr. William Bridger was appointed as of September 1, 2001.

Alberta Ingenuity Fund Goal 2:
To initiate an excellent consulting network of experts

An international Science and Engineering Advisory Council was established and convened to advise Alberta Ingenuity on policy and programs. The 13 distinguished members represent a wide range of research expertise in academia, industry, and leadership on policy issues.

Many researchers at Alberta universities, colleges and technical institutes were consulted with regard to potential funding programs.

Alberta Ingenuity Fund Goal 3:
To identify research funding needs in Alberta

In addition to the consulting above, Alberta Ingenuity conducted a survey of existing sources of science and engineering research funds available to Alberta academic researchers.

Alberta Ingenuity Fund Goal 4:
To initiate grant programs

In response to expressed needs, Alberta Ingenuity established its first two grant programs: Studentships for research training and Establishment grants to support lab start-ups for independent researchers newly recruited to Alberta research institutions. The first competition was held in the spring of 2001 and the second will close in October 2001.

Alberta Ingenuity Fund Goal 5:
To build a peer review system that will maintain standards of excellence in research funding decisions

A computerized system for analyzing information from reviewers was customized for use in initial competitions, and a roster of research experts was created to review applications.

Alberta Ingenuity Fund Goal 6:
To support youth career education and champion science and engineering in the community.

Alberta Ingenuity became an ASTech (Alberta Science and Technology Leadership Awards Foundation) patron and initiated a new APEGGA (Association of Professional Engineers, Geologists and Geophysicists of Alberta) Summit Research Award.

Science and engineering camps for Alberta school students and the Students Promoting Awareness of Research Program at the University of Calgary were also funded.

Alberta Ingenuity Fund Goal 7: ***To be responsible stewards of the endowment and manage expenditures effectively.***

Alberta Ingenuity arranged to share infrastructure and some personnel resources with the Alberta Heritage Foundation for Medical Research.

The trustees worked with Alberta Treasury to develop spending guidelines based on the outlook for endowment performance and financial market conditions.

Alberta Ingenuity Fund Goal 8: ***To initiate a communications program***

Initial communications focused on relationships in the academic community. Also, it was discovered that people outside of academia could not remember or pronounce the long foundation name or the acronym, AHFSER, and confused it with others. Therefore, the Foundation adopted the tradename "Alberta Ingenuity Fund" to build a public profile.

Key Factors Affecting Performance

Two factors affected the rate at which Alberta Ingenuity initiated granting programs. The first is the complexity of the mandate and the current funding scene. The Foundation's broad scope covers hundreds of research fields and specialties in science and engineering. Also, Alberta researchers have more than 250 major public and private sources of research support. Determining research priorities based on Alberta's strengths and opportunities, and designing programs that complement existing funding are challenges that require time. Second, the amount of interest income on the endowment somewhat influenced the rate at which programs were initiated.

Alberta Ingenuity's efficiency during start-up was greatly facilitated by the outstanding counsel and infrastructure support provided by the Alberta Heritage Foundation for Medical Research.

Anticipated Changes and New Directions in 2001 - 2002

Alberta Ingenuity will continue its extensive consulting activity to determine research needs and structures to develop effective grant programs. This includes consultation with industry to design innovative programs that will facilitate quality research in the industrial setting. More grant programs will be established and new partnerships initiated with other research agencies.

Alberta Ingenuity has been advised to focus on three to five major research areas for primary support, while providing other grants for varied research areas. The Foundation will further investigate the benefits of this course, and if merited, pursue it.

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March 31, 2001

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Ministry of Innovation and Science
Consolidated Financial Statements
For the Year Ended March 31, 2001

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Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Innovation and Science as at March 31, 2001 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry of Innovation and Science is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policies that are exceptions from Canadian generally accepted accounting principles:

Capitalization of assets

Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as assets in the accompanying statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of operations. In my view, an amount of approximately $3,349,000 representing the net book value of the assets as at March 31, 2001, should be recognized as capital assets in these financial statements. The effect of this understatement of capital assets is to overstate expenses by approximately $625,000 for the year ended March 31, 2001.

Recording of Expenses

During the year, a liability was recorded by the Ministry for services to be received in fiscal 2001 - 2002 and 2002 - 2003. Generally accepted accounting principles require that expenses be recorded in the period in which the services are rendered. As a result, expenses and accounts payable of the Ministry are overstated by $1,911,000 for the year ended March 31, 2001.

In my opinion, except for the effect of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the consolidated financial position of the Ministry as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

In addition, during the year, the Department of Innovation and Science ("I&S") received $1 million from the Department of Learning ("Learning") to fund a research grant. The transfer was based on an agreement between the Ministers of the two departments. I&S has sufficient funds in its voted appropriation to fund this grant and did not require additional funds from Learning. In my view, it is inappropriate for Learning to transfer funds to I&S to fund an I&S program without the prior knowledge and consent of the Legislative Assembly.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
REVENUES (Note 3 and Schedules 3 and 4)			
Internal Government Transfers	$ 40,832	$ 40,832	$ 40,250
Transfers from Government of Canada	1,625	2,306	1,209
Investment Income	190	808	272
Other Revenue	68,982	63,247	53,278
Total REVENUES	111,629	107,193	95,009
EXPENSES- Directly Incurred (Note 3 and Schedules 1, 3, 4 and 6)			
Program			
Ministry Support Services	4,240	4,205	4,572
Office of the Chief Information Officer	1,810	1,563	1,529
Government Information and Communications Systems	73,360	61,826	59,082
Research and Technology Commercialization	4,140	4,389	2,543
Agriculture and Life Sciences Research	10,327	11,474	8,694
Energy Research and Development	6,500	9,063	6,894
Contracts and Grants Administration	47,765	50,754	52,040
Alberta Research Council Inc.	63,441	59,899	59,407
iCORE Inc.	10,000	10,004	855
Total Voted Expenses	221,603	213,177	195,616
Valuation Adjustments			
Provision for Vacation Pay	-	306	-
Total Statutory Expense	-	306	-
Total EXPENSES	221,603	213,483	195,616
OTHER			
Loss on Disposal of Capital Assets	-	10	583
Write Down of Capital Assets	-	-	476
Total OTHER	-	10	1,059
NET OPERATING RESULTS	$ (109,974)	$ (106,300)	$ (101,666)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2001

(In thousands)

	2001	2000
ASSETS		
Cash and Cash Equivalents (Note 4)	$ 13,883	$ 27,697
Restricted Cash (Note 4)	756	2,331
Accounts Receivable (Note 6)	14,019	12,623
Accountable Advances	5	11
Capital Assets (Note 7)	50,951	50,255
	$ 79,614	$ 92,917
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 26,837	$ 23,696
Unearned Revenue	5,707	6,889
Holdback Liability	653	424
Promissory Note	-	281
Current Portion of Long Term Debt (Note 9)	390	336
	33,587	31,626
Accumulated Provision for Project Abandonment (Note 8)	1,469	2,188
Long Term Debt (Note 9)	1,956	2,374
	37,012	36,188
NET ASSETS (Note 3)		
Net Assets, Beginning of Year	$ 56,729	$ 72,977
Net Operating Results	(106,300)	(101,666)
Net Transfers from General Revenues	92,173	85,418
Net Assets, End of Year	42,602	56,729
	$ 79,614	$ 92,917

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
	(In thousands)	
OPERATING TRANSACTIONS		
Net Operating Results	$ (106,300)	$ (101,666)
Non-Cash Items:		
Amortization of Capital Assets	9,765	9,892
Loss on Disposal of Capital Assets	10	583
Write Down of Capital Assets	-	476
Valuation Adjustments - Vacation Pay	306	-
	(96,219)	(90,715)
Increase in Accounts Receivable	(1,396)	(4,242)
Decrease (Increase) in Accountable Advances	6	(8)
Decrease in Other Current Assets	-	296
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,835	(2,581)
Increase (Decrease) in Unearned Revenue	(1,182)	4,727
Increase (Decrease) in Holdback Liability	229	(831)
Increase (Decrease) in Promissory Note	(281)	281
Increase in Current Portion of Long Term Debt	54	336
Decrease in Provision for Accumulated Provision for Project Abandonment	(719)	(441)
NET CASH USED BY OPERATING TRANSACTIONS	(96,673)	(93,178)
INVESTING TRANSACTIONS		
Increase (Decrease) in Restricted Cash	1,575	(451)
Repayment of Long Term Debt	(418)	-
Issuance of Long Term Debt	-	2,991
Purchases of Capital Assets	(10,394)	(15,522)
Capital Assets Transferred to Other Ministries	-	707
Capital Assets Transferred from Other Ministries	(147)	(118)
Proceeds from Disposal of Capital Assets	70	21
CASH PROVIDED BY INVESTING TRANSACTIONS	(9,314)	(12,372)
FINANCING TRANSACTIONS		
Net Transfers from General Revenues	92,173	85,418
	92,173	85,418
NET CASH PROVIDED (USED)	(13,814)	(20,132)
CASH, BEGINNING OF YEAR	27,697	47,829
CASH, END OF YEAR	$ 13,883	$ 27,697

The accompanying notes and schedules are part of these financial statements.

Ministry of Innovation and Science

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2001

Note 1 Authority

The Minister responsible for Innovation and Science has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfil these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Innovation and Science.

Organization	Authority
Department of Innovation and Science	Government Organization Act
Alberta Science and Research Authority	Alberta Science and Research Authority Act
Alberta Research Council Inc. including the following wholly owned subsidiaries: C-FER Technologies (1999) Inc. (formerly C-FER Inc.) 764330 Alberta Inc. (formerly C-FER Technologies Inc.)	Alberta Science and Research Authority Act
iCORE Inc.	Alberta Science and Research Authority Act

Note 2 Purpose

The purpose of the Ministry of Innovation and Science is to enhance the contribution of science, research, information technology and communications technology to the sustainable prosperity and quality of life of all Albertans and to provide information and services in technology through application and applied research.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Ministry of Innovation and Science (the "Ministry") and includes the operations of the Department of Innovation and Science and the Alberta Science and Research Authority including its unincorporated boards and wholly owned subsidiaries, iCORE Inc. and the Alberta Research Council Inc. and its wholly owned subsidiaries. The financial statements for the individual entities provide more detailed information about the operations of each entity.

On May 30, 2000, the Alberta Science and Research Authority Amendment Act, 2000 was given Royal Assent. Effective August 1, 2000 this legislation:

- dissolved the corporations known as the Alberta Agricultural Research Institute and the Alberta Oil Sands Technology and Research Authority and transferred the assets and liabilities of the corporations to ASRA;
- changed the name of the Alberta Oil Sands Technology and Research Authority to the Alberta Energy Research Institute and broadened the mandate for the Alberta Energy Research Institute to include all energy research.

The Alberta Heritage Foundation for Science and Engineering Research (AHFSER) and the Alberta Heritage Foundation for Medical Research (AHFMR) and its subsidiary the Alberta Foundation for Health Research (AFHR) are required to forward a copy of their annual reports to the Minister for tabling in the Legislature. However, the financial statements of AHFSER, AHFMR and AFHR are not consolidated in these financial statements.

(b) Method of Consolidation

The activities of the entities within the Ministry are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated. Details of the consolidation adjustments are provided in Schedules 3, 4 and 5.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Royalties and licensing fee revenues are recognized when the amounts can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Ministry may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

Expenses

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of Ministry operations are disclosed in Schedule 6.

Assets

Financial assets of the Ministry include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

The fair values of marketable securities are estimated to approximate their carrying values.

Assets acquired by right are not included in these statements. Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

Expenses for patents owned by the Ministry as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue to the Ministry.

Expenses on the acquisition or development of other intangible assets including intellectual capital are not capitalized as currently there is no acceptable methodology for measuring the value of future benefits accruing to the Ministry.

Liabilities

Liabilities represent all financial claims payable by the Ministry at fiscal year end. Under certain joint participation agreements the Ministry will incur certain costs when projects are abandoned.

Net Assets

Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accountable advances, accounts payable, accrued liabilities, and unearned revenues are estimated to approximate their book values.

Note 4 Cash and Cash Equivalents (In thousands)

(a) Cash

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of the Department of Innovation and Science are deposited into the Fund and all cash disbursements made by the Department of Innovation and Science are paid from the Fund. Net transfer to/from General Revenues is the difference between all cash receipts and all cash disbursements made.

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. The securities are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest earned by the Ministry on the cash balance of the Alberta Research Council Inc's CCITF account is credited to the general revenues of the Province of Alberta and is not reflected in these financial statements.

The interest of $702 and $106 (2000 - $155 and $378) earned by the Ministry on the cash balance of the Alberta Science and Research Authority and the remainder of the Ministry's CCITF accounts respectively are reflected in these financial statements.

(b) Cash Equivalents

At March 31, cash equivalents consist of:

	2001	2000
Marketable securities	$ 177	$ 151
6% investment in private company	250	-
	$ 427	$ 151

The quoted market value of marketable securities at March 31, 2001 was $358 (2000 - $258). The net realizable value of the investment in shares of a private company approximates cost.

(c) Restricted Cash

Restricted cash $756 (2000 - $2,331) represents unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

Note 5 Warrants and Options
(In thousands)

As part of the considerations for granting various licenses, the Alberta Research Council Inc. has received a number of options and warrants to acquire common shares of public companies. The following options and warrants have been recorded at nominal value.

	2001			
	Exercise Price	Market Value	Exercise Price	Market Value
Options which expire in 2002	$ 106	$ 146	$ 211	$ 1,543
Options which expire in 2003	510	263	510	577
	$ 616	$ 409	$ 721	$ 2,120

As part of the licensing agreement associated with the options which expire in 2002, the Alberta Research Council Inc. has designated one-half of the net proceeds on the sale of the shares received upon exercising these options for collaborative research projects.

The Alberta Research Council Inc. is subject to market risks with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in the market price.

Note 6 Accounts Receivable (In thousands)

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 10,523	$ (272)	$ 10,251	$ 7,800
Federal Government	1,308	-	1,308	1,151
Alberta Government Departments and Agencies	2,460	-	2,460	3,672
	$ 14,291	$ (272)	$ 14,019	$ 12,623

Accounts receivable are unsecured and non-interest bearing.

Note 7 Capital Assets (In thousands)

		2001			2000
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	Indefinite	$ 566	$ -	$ 566	$ 566
Building	30 yrs	2,106	141	1,965	1,999
Equipment [1]	3 - 25 yrs	58,239	38,011	20,228	20,102
Computer Hardware and Software	3 - 5 yrs	34,975	26,067	8,908	5,961
IMAGIS Software [2]	10 yrs	23,322	8,339	14,983	17,481
Leasehold Improvements	25 yrs	7,021	2,720	4,301	4,146
		$ 126,229	$ 75,278	$ 50,951	$ 50,255

[1] Equipment also includes furniture and fixtures.

[2] Integrated Management Alberta Government Information System (IMAGIS) software includes all development costs incurred by the Ministry in the implementation of the government-wide system. The cost of each module is amortized over a 10-year useful life. All upgrades to the IMAGIS system are expensed in the year incurred.

Note 8 Accumulated Provision for Project Abandonment (In thousands)

Under joint participation agreements, the Ministry will incur certain costs when wells and experimental projects are abandoned. Management's estimate of future abandonment costs is $1,469 (2000 - $2,188).

Note 9 Long Term Debt (In thousands)

	2001	2000
7.32% mortgage, payable in monthly instalments of $41 including interest, due October 1, 2001.	$ 2,262	$ 2,580
Bank term loan, at prime, payable in monthly instalments of $4 plus interest, due October 12, 2002.	84	130
	2,346	2,710
Less current portion	390	336
	$ 1,956	$ 2,374

A demand debenture with a fixed charge over land, building and equipment, a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage and term loan.

The following estimated principal repayments during the next five years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments
2002	$ 390
2003	395
2004	392
2005	422
2006	747
	$ 2,346

Note 10 Commitments

(In thousands)

(a) General Commitments

The Ministry has commitments as at March 31, 2001 totalling $84,570 (2000 - $96,243) for approved projects.

Year	Committed
2002	$ 42,662
2003	21,558
2004	10,303
2005	3,666
2006	2,958
Thereafter	3,423
	$ 84,570

(b) Leases

The Ministry leases certain equipment under operating leases that expire on various dates to 2006. The aggregate amount payable for the unexpired terms of these leases are as follows:

Year	Committed
2002	$ 110
2003	90
2004	44
2005	28
2006	20
Thereafter	–
	$ 292

Note 11 Contingencies

(In thousands)

During fiscal 1999, the Ministry was made aware of a $4,079 claim naming the Alberta Research Council Inc. as the defendant. The claim relates to contamination produced from certain oil wells and arises out of a joint venture agreement to develop drilling fluid that would act as fracturing agent. A previous claim, naming the Alberta Research Council Inc. as one of the defendants, related to the same event was settled in the previous year. This matter has been referred to the insurers and the likelihood of loss or the amount of loss to the Alberta Research Council Inc. is not determinable at this time, however, management has stated that any losses would be fully covered by insurance. Any settlement that may occur would be accounted for as a charge against current year's earnings at the time of settlement.

During fiscal 2000, the Ministry was made aware of a $2,200 claim relating to intellectual property ownership which was filed by a former employee of the Alberta Research Council Inc. Management feels that the claim is without merit, however, the likelihood of loss or the amount of the loss, if any is not determinable at this time. Any settlement that may occur would be accounted for as a charge against current year's earnings at the time of settlement.

Note 12 Pensions
(In thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $3,026 for the year ending March 31, 2001 (2000 - $2,737).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658 (1999 - $46,019) and the Public Service Pension Plan reported a surplus of $635,084 (1999 - $517,020). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180 (1999 - $33).

Note 13 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 14 Government Restructuring

As a result of government restructuring announced on March 15, 2001, Records Management was transferred from the Department of Innovation and Science to the Department of Government Services.

Since the 2000-01 fiscal year was substantially completed prior to this announcement, these financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-01 fiscal year against the original business plan.

Note 15 Approval of Financial Statements

The financial statements were approved by the Deputy Minister of Innovation and Science and the Senior Financial Officer for the Ministry of Innovation and Science.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 1

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
VOTED:			
Salaries, Wages and Employee Benefits	$ 60,171	$ 61,521	$ 58,102
Supplies and Services	77,706	69,040	64,598
Supplies and Services from Support Service Arrangements with Related Parties [1]	-	164	-
Grants	70,341	72,580	62,882
Financial Transactions and Other	466	107	142
Amortization of Capital Assets	12,919	9,765	9,892
Total VOTED EXPENSES	$ 221,603	$ 213,177	$ 195,616

[1] The Ministry receives financial, administrative, human resources, and information technology services from Alberta Learning, Alberta Infrastructure and Alberta Corporate Services Centre.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
PURCHASES OF CAPITAL ASSETS BY PROGRAM
AS AT MARCH 31, 2001

Schedule 2

(In thousands)

	2001				
	Estimates	Voted Supplementary	Authorized Budget	Actual	2000 Actual
VOTED					
Government Information and Communications Systems	$ 7,925	$ -	$ 7,925	$ 7,496	$ 4,017
STATUTORY					
Alberta Science and Research Authority	2,927	-	2,927	2,898	11,505
Alberta Agricultural Research Institute	100	-	100	-	-
	$ 10,952	$ -	$ 10,952	$ 10,394	$ 15,522

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 3

(In thousands)

	2001					
	Department of Innovation and Science	Alberta Science and Research Authority	Alberta Agricultural Research Institute	Alberta Oil Sands Technology and Research Authority	Consolidation Entries	Consolidated Ministry Budget
REVENUES						
Internal Government Transfers	$ 40,832	$ 92,952	$ 8,582	$ -	$ (101,534)	$ 40,832
Transfers from Government of Canada	-	1,625	-	-	-	1,625
Investment Income	-	-	190	-	-	190
Other Revenue	30,510	39,277	110	1,079	(1,994)	68,982
Total REVENUES	71,342	133,854	8,882	1,079	(103,528)	111,629
EXPENSES- Directly Incurred						
Program						
Ministry Support Services	4,240	-	-	-	-	4,240
Office of the Chief Information Officer	1,810	-	-	-	-	1,810
Government Information and Communications Systems	73,380	-	-	-	-	73,380
Research and Technology Commercialization	1,465	2,675	-	-	-	4,140
Agriculture and Life Sciences Research	320	9,377	9,212	-	(8,582)	10,327
Energy Research and Development	960	-	-	5,540	-	6,500
Contracts and Grants Administration	94,767	45,950	-	-	(92,952)	47,765
Alberta Research Council Inc.	-	65,435	-	-	(1,994)	63,441
iCORE Inc.	-	10,000	-	-	-	10,000
Total Voted Expenses	176,942	133,437	9,212	5,540	(103,528)	221,603
Valuation Adjustments						
Provision for Vacation Pay	-	-	-	-	-	-
Total Valuation Adjustments	-	-	-	-	-	-
Total EXPENSES	176,942	133,437	9,212	5,540	(103,528)	221,603
OTHER						
(Gain) / Loss on Disposal of Capital Assets	-	-	-	-	-	-
Total OTHER	-	-	-	-	-	-
NET OPERATING RESULTS	$ (105,600)	$ 417	$ (330)	$ (4,461)	$ -	$ (109,974)
CAPITAL INVESTMENT	$ 7,925	$ 2,927	$ 100	$ -	$ -	$ 10,952

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
ACTUALS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 4

(In thousands)

	2001					
	Department of Innovation and Science	Alberta Science and Research Authority	Alberta Agricultural Research Institute [1]	Alberta Oil Sands Technology and Research Authority [1]	Consolidation Entries	Consolidated Ministry Actuals
REVENUES						
Internal Government Transfers	$ 40,832	$ 98,866	$ 8,582	$ -	$ (107,448)	$ 40,832
Transfers from Government of Canada	-	2,306	-	-	-	2,306
Investment Income	-	702	106	-	-	808
Other Revenue	28,232	37,454	186	612	(3,237)	63,247
Total REVENUES	69,064	139,328	8,874	612	(110,685)	107,193
EXPENSES- Directly Incurred						
Program						
Ministry Support Services	4,205	-	-	-	-	4,205
Office of the Chief Information Officer	1,563	-	-	-	-	1,563
Government Information and Communications Systems	61,826	-	-	-	-	61,826
Research and Technology Commercialization	1,449	2,940	-	-	-	4,389
Agriculture and Life Sciences Research	1,158	11,666	7,232	-	(8,582)	11,474
Energy Research and Development	959	6,735	-	1,369	-	9,063
Contracts and Grants Administration	101,257	48,363	-	-	(98,866)	50,754
Alberta Research Council Inc.	-	62,588	-	-	(2,689)	59,899
iCORE Inc.	-	10,004	-	-	-	10,004
Total Voted Expenses	172,417	142,298	7,232	1,369	(110,137)	213,177
Valuation Adjustments						
Provision for Vacation Pay	294	12	-	-	-	306
Total Valuation Adjustments	294	12	-	-	-	306
Total EXPENSES	172,711	142,308	7,232	1,369	(110,137)	213,483
OTHER						
Loss on Disposal of Capital Assets	10	-	-	-	-	10
Total OTHER	10	-	-	-	-	10
NET OPERATING RESULTS	$ (103,657)	$ (2,960)	$ 1,642	$ (757)	$ (548)	$ (106,300)
CAPITAL INVESTMENT	$ 7,496	$ 2,898	$ -	$ -	$ -	$ 10,394

[1] Actuals for the four month period April 1, 2000 to July 31, 2000 prior to the transfer of Net Assets to the Alberta Science and Research Authority.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS INTRA-MINISTRY TRANSACTIONS AS AT MARCH 31, 2001

Schedule 5

(In thousands)

	2001 Budget	2001 Actual
REVENUE		
Grants from the Department of Innovation and Science to the Alberta Research and Science Authority		
General Revenue Fund	$ 52,120	$ 58,034
Lottery Fund	40,832	40,832
Grants from the Department of Innovation and Science to the Alberta Research Council Inc.	-	376
Grants from the Alberta Science and Research Authority to the Alberta Agricultural Research Institute	8,582	8,582
Grants from the Alberta Agricultural Research Institute to the Alberta Research Council Inc.	-	2,440
Grants from the Alberta Oil Sands Technology and Research Authority to the Alberta Research Council Inc.	1,994	421
	$ 103,528	$ 110,685
EXPENSE		
Grants from the Department of Innovation and Science to the Alberta Research and Science Authority		
General Revenue Fund	$ 52,120	$ 58,034
Lottery Fund	40,832	40,832
Grants from the Alberta Science and Research Authority to the Alberta Agricultural Research Institute	8,582	8,582
Grants from the Alberta Agricultural Research Institute to the Alberta Research Council Inc.	-	2,310
Grants from the Alberta Oil Sands Technology and Research Authority to the Alberta Research Council Inc.	1,994	379
	$ 103,528	$ 110,137
RECEIVABLE FROM / PAYABLE TO		
Accounts Receivable from the Department of Innovation and Science to the Alberta Science and Research Authority	$ -	$ 9,751
Accounts Payable from the Department of Innovation and Science to the Alberta Science and Research Authority	-	9,751
	$ -	$ 19,502

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS

FOR THE YEAR ENDED MARCH 31, 2001

Schedule 6

(in thousands)

	2001					2000
		Expenses - Incurred by Others		Valuation Adjustments		
	Expenses (1)	Accommodation Costs (2)	Legal Services (3)	Vacation Pay (4)	Total Expenses	Total Expenses
PROGRAM						
Ministry Support Services	$ 4,205	$ 513	$ 69	$ 55	$ 4,842	$ 4,799
Office of the Chief Information Officer	1,563	90	54	23	1,730	1,572
Government Information and Communications Systems	61,826	2,444	75	71	64,416	60,229
Research and Technology Commercialization	4,389	-	8	13	4,410	2,543
Agriculture and Life Sciences Research	11,474	-	1	88	11,563	8,706
Energy Research and Development	9,063	-	91	(19)	9,135	6,908
Contracts and Grants Administration	50,754	609	9	75	51,447	52,194
Alberta Research Council Inc.	59,899	12,159	-	-	72,058	71,280
iCORE Inc.	10,004	68	-	-	10,072	855
	$ 213,177	$ 15,883	$ 307	$ 306	$ 229,673	$ 209,086

[1] Expenses - Directly Incurred as per Consolidated Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accommodation provided by Alberta Infrastructure.

[3] Costs shown for Legal Services provided by Alberta Justice.

[4] Vacation Pay as per Consolidated Statement of Operations.

Department of Innovation and Science Financial Statements For the Year Ended March 31, 2001

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Revenue

Schedule of Dedicated Revenue

Schedule of Expenses - Directly Incurred Detailed by Object

Schedule of Budget

Schedule of Comparison of Expenses - Directly Incurred and Capital Investments by Element to Authorized Budget

Schedule of Salary and Benefits Disclosure

Schedule of Related Party Transactions

Schedule of Allocated Costs

Auditor's Report

To the Minister of Innovation and Science

I have audited the statement of financial position of the Department of Innovation and Science as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department of Innovation and Science is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policies that are exceptions from Canadian generally accepted accounting principles:

Capitalization of assets

Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as assets in the accompanying statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the statement of operations. In my view, an amount of approximately $3,349,000 representing the net book value of these assets as at March 31, 2001 should be recognized as capital assets in these financial statements. The effect of this understatement of assets acquired is to overstate expenses by approximately $625,000 for the year ended March 31, 2001.

Recording of Expenses

During the year, a liability was recorded by the Department for services to be received in fiscal 2001-02 and 2002-03. Generally accepted accounting principles require that expenses be recorded in the period in which the services are rendered. As a result, expenses and accounts payable of the Department are overstated by $1,911,000 for the year ended March 31, 2001.

In my opinion, except for the effect of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

In addition, during the year, the Department of Innovation and Science ("I&S") received $1 million from the Department of Learning ("Learning") to fund a research grant. The transfer was based on an agreement between the Ministers of the two departments. I&S has sufficient funds in its voted appropriation to fund this grant and did not require additional funds from Learning. In my view, it is inappropriate for Learning to transfer funds to I&S to fund an I&S program without the prior knowledge and consent of the Legislative Assembly.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
REVENUES (Note 3 and Schedule 1 and 2)			
Internal Government Transfers			
Contribution from Lottery Fund	$ 40,832	$ 40,832	$ 32,250
Contribution from Other Ministries	-	1,000	-
Service Revenue	30,510	26,831	22,210
Other Revenue	-	401	332
Total REVENUES	71,342	69,064	54,792
EXPENSES- Directly Incurred (Note 3 and Schedules 3, 4 and 5)			
Voted			
Ministry Support Services	4,240	4,205	4,572
Government Information and Communications Systems	75,190	63,389	60,668
Research Operations and Technology Commercialization	97,512	104,823	85,421
Total Voted Expenses	176,942	172,417	150,661
Statutory			
Valuation Adjustments			
Provision for Vacation Pay	-	294	-
Total Statutory Expenses	-	294	-
Total EXPENSES	176,942	172,711	150,661
OTHER			
Loss on Disposal of Capital Assets	-	10	583
Write Down of Capital Assets	-	-	476
Total OTHER	-	10	1,059
NET OPERATING RESULTS	$ (105,600)	$ (103,657)	$ (96,928)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2001

	(In thousands) 2001	2000
ASSETS		
Cash	$ 25	$ 4
Accounts Receivable (Note 4)	394	382
Accountable Advances	5	11
Capital Assets (Note 5)	31,780	31,004
	$ 32,204	$ 31,401
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 22,189	$ 8,530
	22,189	8,530
NET ASSETS		
Net Assets, Beginning of Year	$ 22,871	$ 30,712
Net Operating Results	(103,657)	(96,928)
Net Transfers from General Revenues	90,801	89,087
Net Assets, End of Year	10,015	22,871
	$ 32,204	$ 31,401

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2001

(In thousands)

	2001	2000
OPERATING TRANSACTIONS		
Net Operating Results	$ (103,657)	$ (96,928)
Non-Cash Items:		
Amortization of Capital Assets	6,815	6,934
Loss on Disposal of Capital Assets	10	583
Write Down of Capital Assets	-	476
Valuation Adjustments - Vacation Pay	294	-
	(96,538)	(88,935)
Increase in Accounts Receivable	(12)	(287)
Decrease (Increase) in Accountable Advances	6	(11)
Increase in Accounts Payable and Accrued Liabilities	13,365	3,558
NET CASH USED BY OPERATING TRANSACTIONS	(83,179)	(85,675)
INVESTING TRANSACTIONS		
Purchases of Capital Assets	(7,496)	(4,018)
Capital Assets Transferred to Other Ministries	-	707
Capital Assets Transferred from Other Ministries	(147)	(118)
Proceeds from Disposal of Capital Assets	42	-
CASH PROVIDED BY INVESTING TRANSACTIONS	(7,601)	(3,429)
FINANCING TRANSACTIONS		
Net Transfers from General Revenues	90,801	89,087
	90,801	89,087
NET CASH PROVIDED (USED)	21	(17)
CASH, BEGINNING OF YEAR	4	21
CASH, END OF YEAR	$ 25	$ 4

The accompanying notes and schedules are part of these financial statements.

Department of Innovation and Science

Notes to the Financial Statements for the Year Ended March 31, 2001

Note 1 Authority

The Department of Innovation and Science operates under the authority of the Government Organization Act, Statutes of Alberta.

Note 2 Purpose

The purpose of the Department of Innovation and Science (Department) is to enhance the contribution of science, research and information and communications technology to the sustainable prosperity and quality of life of all Albertans.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Innovation and Science, which is part of the Ministry of Innovation and Science and for which the Minister of Innovation and Science is accountable. Other entities reporting to the Minister are the Alberta Science and Research Authority and its subsidiaries including iCORE Inc. (Alberta Informatics Circle of Research Excellence) and the Alberta Research Council Inc. and its subsidiaries. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfers from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiative.

Expenses

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- Amortization of capital assets.
- Pension costs which comprise the cost of employer contributions for current service of employees during the year.
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Department's operations are disclosed in Schedule 8.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included in these statements. Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new system development is $100,000 and the threshold for all other capital assets is $15,000.

Liabilities

Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Assets

Net assets represent the difference between the value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accountable advances, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 4 Accounts Receivable (In thousands)

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 9	$ -	$ 9	$ 5
Federal Government	-	-	-	153
Alberta Government Departments and Agencies	385	-	385	224
	$ 394	$ -	$ 394	$ 382

Accounts receivable are unsecured and non-interest bearing.

Note 5 Capital Assets (In thousands)

		2001			2000
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment [1]	5 - 10 yrs	$ 18,608	$ 10,046	$ 8,562	$ 8,212
Computer Hardware/Software	3 - 5 yrs	30,613	22,378	8,235	5,311
IMAGIS Software [2]	10 yrs	23,322	8,339	14,983	17,481
		$ 72,543	$ 40,763	$ 31,780	$ 31,004

[1] Equipment also includes furniture and fixtures.

[2] Integrated Management Alberta Government Information System (IMAGIS) software includes all development costs incurred by the Ministry in the implementation of the government-wide system. The cost of each module is amortized over a 10-year useful life. All upgrades to the IMAGIS system are expensed in the year incurred.

Note 6 Commitments (In thousands)

The Department has commitments as at March 31, 2001 totalling $3,145 (2000 - $39,134) for approved projects.

Year	Committed
2002	$ 2,904
2003	154
2004	87
Thereafter	-
	$ 3,145

Note 7 Pensions

(In thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,428 for the year ended March 31, 2001 (2000 - $1,156).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658 (1999 - $46,019) and the Public Service Pension Plan reported a surplus of $635,084 (1999 - $517,020). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180 (1999 - $33).

Note 8 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 9 Government Restructuring

As a result of government restructuring announced on March 15, 2001, the following change in responsibility of the Department:

- Records Management was transferred from the Department of Innovation and Science to the Department of Government Services.

Since the 2000-01 fiscal year was substantially completed prior to this announcement, these financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-01 fiscal year against the original business plan.

Note 10 Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 1

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
Contribution from Lottery Fund	$ 40,832	$ 40,832	$ 32,250
Contribution from Other Ministries	-	1,000	-
Service Revenue	30,510	26,831	22,210
Other Revenue	-	401	332
Total REVENUES	$ 71,342	$ 69,064	$ 54,792

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
DEDICATED REVENUE INITIATIVES
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 2

(In thousands)

	2001		
	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall) / Excess
Government Information and Communications Systems (1)	$ 30,510	$ 26,830	$ (3,680)
Total DEDICATED REVENUE	$ 30,510	$ 26,830	$ (3,680) (2)

(1) The Department receives revenues from Ministries to recover the cost of providing system applications and services, which includes:

- shared computer processing services, data backup recovery and storage;
- Internet and electronic mail services, electronic commerce, technical consulting and support services, and print services, and;
- cross government services for finance and human resource applications.

(2) Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the Financial Statements.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 3

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
VOTED:			
Salaries, Wages and Employee Benefits	$ 20,081	$ 22,348	$ 20,024
Supplies and Services	53,022	43,034	40,365
Supplies and Services from Support Service Arrangements with Related Parties (1)	-	164	75
Grants	92,987	100,003	83,215
Financial Transactions and Other	411	53	48
Amortization of Capital Assets	10,441	6,815	6,934
Total VOTED EXPENSES	$ 176,942	$ 172,417	$ 150,661

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(1) The Department receives financial, administrative, human resources, and information technology services from the Department of Learning, the Department of Infrastructure and the Alberta Corporate Services Centre.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 4

(In thousands)

	2001				
	Estimates	Adjustment [1]	Budget	Authorized Supplementary	Authorized Budget
REVENUES:					
Internal Government Transfers					
Contribution from Lottery Fund	$ 40,832	$ -	$ 40,832	$ -	$ 40,832
Service Revenue	30,510	-	30,510	-	30,510
Other Revenue	-	-	-	-	-
Total REVENUES	71,342	-	71,342	-	71,342
EXPENSES - DIRECTLY INCURRED					
Voted					
Ministry Support Services	4,240	-	4,240	-	4,240
Government Information and Communications Systems	75,190	(3,680)	71,510	-	71,510
Research Operations and Technology Commercialization	97,512	-	97,512	-	97,512
Total Voted Expenses	176,942	(3,680)	173,262	-	173,262
Statutory					
Valuation Adjustments					
Provision for Doubtful Accounts	-	-	-	-	-
Provision for Vacation Pay	-	-	-	-	-
Total Statutory Expenses	-	-	-	-	-
Total EXPENSES	176,942	(3,680)	173,262	-	173,262
OTHER					
(Gain) / Loss on Disposal of Capital Assets	-	-	-	-	-
Write Down of Capital Assets	-	-	-	-	-
Total OTHER	-	-	-	-	-
NET OPERATING RESULTS	$ (105,600)	$ 3,680	$ (101,920)	$ -	$ (101,920)
CAPITAL INVESTMENT	$ 7,925	$ -	$ 7,925	$ -	$ 7,925

[1] Adjustment is a result of dedicated revenue shortfall.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES - DIRECTLY INCURRED AND CAPITAL INVESTMENTS BY ELEMENT TO AUTHORIZED BUDGET
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 5

(In thousands)

	2001						
	Estimates	Adjustments [1]	Budget	Authorized Supplementary	Authorized Budget	Actual [2]	Unexpended (Over Expended)
VOTED EXPENSES AND CAPITAL INVESTMENTS							
Program 1 Ministry Support Services							
1.0.1 Minister's Office	$ 310	$ -	$ 310	$ -	$ 310	$ 316	$ (6)
1.0.2 Deputy Minister's Office	310	-	310	-	310	310	-
1.0.3 Corporate Services	2,895	-	2,895	-	2,895	2,872	23
1.0.4 Communications	725	-	725	-	725	707	18
	4,240	-	4,240	-	4,240	4,205	35
Program 2 Government Information and Communications Systems							
2.0.1 Information Technology Services							
- Operating Expense	62,940	(1,405)	61,535	-	61,535	55,011	6,524
- Capital Investment	7,925	-	7,925	-	7,925	7,496	429
2.0.2 Office of the Chief Information Officer	1,810	-	1,810	-	1,810	1,563	247
2.0.3 Amortization	10,440	(2,275)	8,165	-	8,165	6,815	1,350
2.0.4 Dedicated Revenue	-	-	-	-	-	-	-
	83,115	(3,680)	79,435	-	79,435	70,885	8,550
Program 3 Research Operations and Technology Commercialization							
3.0.1 Operations and Policy Research	4,560	-	4,560	-	4,560	5,957	(1,397)
3.0.2 Grant to the Alberta Science and Research Authority							
- Operating Expense	52,120	-	52,120	-	52,120	58,034	(5,914)
- Operating Expense Funding by Lotteries	40,832	-	40,832	-	40,832	40,832	-
	97,512	-	97,512	-	97,512	104,823	(7,311)
Total VOTED EXPENSES AND CAPITAL INVESTMENTS	184,867	(3,680)	181,187	-	181,187	179,913	1,274
Program Operating Expense	136,110	(3,680)	132,430	-	132,430	131,585	845
Program Operating Expense Funded by Lotteries	40,832	-	40,832	-	40,832	40,832	-
	176,942	(3,680)	173,262	-	173,262	172,417	845
Program Capital Investment	7,925	-	7,925	-	7,925	7,496	429
Program Capital Investment Funded by Lotteries	-	-	-	-	-	-	-
	7,925	-	7,925	-	7,925	7,496	429
Total VOTED EXPENSES AND CAPITAL INVESTMENTS	184,867	(3,680)	181,187	-	181,187	179,913	1,274

(1) Adjustments are a result of dedicated revenue shortfall.

(2) Achievement bonuses of $612 was incurred during the fiscal year. The bonuses are reported in each program area.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 6

	2001			2000
	Salary [1]	Benefits & Allowances [2]	Total	Total
CURRENT EXECUTIVES				
Deputy Minister [3]	$ 164,740	$ 41,461	$ 206,201	$ 182,227
Executives:				
Information Management and Technology Services [4]	113,188	35,488	148,676	125,786
Contract and Corporate Services	126,772	30,699	159,471	142,975
Research and Technology Commercialization [5]	100,388	23,495	123,883	76,907
Chief Information Officer	112,705	12,553	125,258	118,370
Research [6]	89,041	22,472	111,516	-

NOTES:

Prepared in accordance with Treasury Board Directive 12/98

[1] Salary includes regular base pay, bonuses, overtime and lump sum payments.

[2] Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long tem disability plans, WCB premiums, professional memberships and tuition fees.

[3] Automobile provided, no dollar amount included in benefits and allowances figures.

[4] Benefits and allowances include vacation payout of $7,661 in 2001.

[5] Benefits and allowances include vacation payout of $3,678 in 2001 and $2,561 in 2000. The incumbent became a member of the department's senior management group effective August 1, 1999.

[6] The position was created on June 7, 2000. Salary and benefits figures are for the period June 7, 2000 to March 31, 2001.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 7

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
REVENUES				
Lottery Fund	$ -	$ -	$ 40,832	$ 32,250
Government Information and Communications Systems	-	57	26,791	22,086
Contributions from Other Ministries	-	-	1,000	-
	$ -	$ 57	$ 68,623	$ 54,336
EXPENSES - DIRECTLY INCURRED				
Grant to Alberta Science and Research Authority	$ 98,866	$ 45,395	$ -	$ -
Government Information and Communications Systems	-	57	26,791	22,086
Charge from Alberta Infrastructure	-	-	9	11
	$ 98,866	$ 45,452	$ 26,800	$ 22,097
CAPITAL ASSETS TRANSFERRED FROM (TO) OTHER MINISTRIES				
Alberta Health and Wellness	$ -	$ -	$ 147	$ -
Alberta Infrastructure	-	-	-	(568)
Alberta Justice	-	-	-	(13)
Alberta Agriculture, Food and Rural Development	-	-	-	(8)
	$ -	$ -	$ 147	$ (589)
RECEIVABLE FROM ALBERTA GOVERNMENT DEPARTMENT AND AGENCIES	$ -	$ -	$ 339	$ -
PAYABLE TO THE ALBERTA SCIENCE AND RESEARCH AUTHORITY	$ 9,751	$ -	$ -	$ -

The above transactions do not include support service agreement transactions disclosed in Schedule 3.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 7 (cont'd)

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 8.

(In thousands)

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
EXPENSES - INCURRED BY OTHERS				
Accommodations from Alberta Infrastructure	$ -	$ -	$ 3,511	$ 1,486
Legal services from Alberta Justice	-	-	298	85
Contribution to IMAGIS from other Ministries	-	-	-	920
	$ -	$ -	$ 3,809	$ 2,491

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 8

(In thousands)

	2001					2000
		Expenses - Incurred by Others		Valuation Adjustments		
	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay [4]	Total Expenses	Total Expenses
PROGRAM						
Ministry Support Services	$ 4,205	$ 513	$ 69	$ 55	$ 4,842	$ 4,799
Government Information and Communications Systems	63,389	2,534	129	94	66,146	61,858
Research Operations and Technology Commercialization	104,823	464	100	145	105,532	85,575
	$ 172,417	$ 3,511	$ 298	$ 294	$ 176,520	$ 152,232

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[1] Expenses - Directly Incurred as per the Statement of Operations, excluding valuation adjustments.

[2] Costs shown are for Accommodation provided by Alberta Infrastructure.

[3] Costs shown are for Legal Services provided by Alberta Justice.

[4] Vacation Pay as per the Statement of Operations.

Alberta Agricultural Research Institute
Financial Statements
For the Four Months Ended July 31, 2000

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Revenues

Schedule of Expenses Detailed by Object

Schedule of Comparison of Expenses by Elements to Authorized Budget

Schedule of Salary, Honoraria and Benefits Disclosure

Schedule of Related Party Transactions

Schedule of Allocated Costs

Auditor's Report

To the Minister of Innovation and Science

I have audited the statement of financial position of the Alberta Agricultural Research Institute as at July 31, 2000 and the statements of operations and changes in financial position for the four month period then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at July 31, 2000 and the results of its operations and the changes in its financial position for the four month period then ended in accordance with generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 27, 2000

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

STATEMENT OF OPERATIONS
FOR THE FOUR MONTHS ENDED JULY 31, 2000

	(In thousands) March 31, 2001 Annual Budget	(In thousands) Four Months Ended July 31, 2000 Actual	(In thousands) Year ended March 31, 2000 Actual
Revenues (Schedule 1)			
Internal governmental transfers	$ 8,582	$ 8,582	$ 9,755
Transfer from the Government of Canada	-	-	129
Fees, permits, and licenses	10	-	87
Contributions from sponsors	-	53	2,031
Interest	190	106	378
Other revenue	100	133	117
	8,882	8,874	12,497
Expenses - Directly Incurred (Note 3b and Schedules 2 and 3)			
Research funding	8,015	6,618	10,283
Administration	457	105	501
Research information	740	509	759
	9,212	7,232	11,543
Net operating results	$ (330)	1,642	954
Net assets, beginning of period		2,498	1,544
Net transfer to Alberta Science and Research Authority (Note 1)		(4,140)	-
Net assets, end of period (Note 1)		$ -	$ 2,498

The accompanying notes and schedules are part of these financial statements.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2000

	(In thousands)	
	July 31, 2000	March 31, 2000
Assets		
Cash (Note 4)	$ -	$ 4,522
Restricted cash (Note 4 and 5)	-	2,331
Accounts receivable	-	113
	$ -	$ 6,966
Liabilities		
Accounts payable and accrued liabilities	$ -	$ 2,137
Deferred contributions (Note 5)	-	2,331
	-	4,468
Net Assets (Note 1)	-	2,498
	$ -	$ 6,966

The accompanying notes and schedules are part of these financial statements.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FOUR MONTHS ENDED JULY 31, 2000

	(In thousands) Four Months Ended July 31, 2000	Year ended March 31, 2000
Operating transactions		
Net operating results	$ 1,642	$ 954
Decrease in accounts receivable	113	30
Decrease in accounts payable and accrued liabilities	(2,137)	(1,757)
Increase (decrease) in deferred contributions	(2,331)	451
Net cash used by operating transactions	(2,713)	(322)
Investing transactions		
Decrease (increase) in restricted cash	2,331	(451)
Cash provided by investing transactions	2,331	(451)
Net transfer to Alberta Agriculture, Food and Rural Development (Note 1)		
Cash	(250)	-
Restricted Cash	(1,568)	-
Accounts Payable and Accrued Liabilities	250	-
Deferred Contributions	1,568	-
Cash used in transfer to Alberta Agriculture, Food and Rural Development	-	-
Net transfer to Alberta Science and Research Authority (Note 1)		
Cash	(2,618)	-
Restricted Cash	(695)	-
Accounts Receivable	(6,442)	-
Accounts Payable and Accrued Liabilities	4,920	-
Deferred Contributions	695	-
Cash used in transfer to Alberta Science and Research Authority	(4,140)	-
Net cash used	(4,522)	(773)
Cash, beginning of period	4,522	5,295
Cash, end of period	$ -	$ 4,522

The accompanying notes and schedules are part of these financial statements.

Alberta Agricultural Research Institute

Notes to the Financial Statements for the Four Months Ended July 31, 2000

Note 1 Authority

The Alberta Agricultural Research Institute (AARI) operated as a provincial corporation under the authority of the Alberta Agricultural Research Institute Act.

On April 1, 2000, AARI in agreement with Alberta Agriculture, Food and Rural Development (AFRD) and Alberta Innovation and Science transferred all responsibility for program delivery of Administered Projects to AFRD. The following assets and liabilities were transferred:

	(In thousands)
Cash	$ 250
Restricted Cash	1,568
Accounts Payable and Accrued Liabilities	(250)
Deferred Contributions	(1,568)
Net asset transfer to Alberta Agriculture, Food and Rural Development	$ -

On May 30, 2000, the Alberta Science and Research Authority Amendment Act, 2000 was given Royal Assent. Part 2 of the legislation dissolved the corporation known as AARI and vested all of AARI assets and liabilities in the Alberta Science and Research Authority (ASRA). The following assets and liabilities have been transferred from AARI to ASRA on July 31, 2000:

	(In thousands)
Cash	$ 2,618
Restricted Cash	695
Accounts Receivable & Accrued Receivable	6,442
Accounts Payable	(1)
Accrued Liabilities	(4,919)
Deferred Contributions	(695)
Net asset transfer to the Alberta Science and Research Authority	$ 4,140

Note 2 Purpose

AARI was created to promote, coordinate, prioritize, support and fund agricultural research ensuring transfer of the resulting knowledge for the benefit of a viable and sustainable agri-food industry. These programs were transferred to ASRA on July 31, 2000.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting.

Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is AARI, which is part of the Ministry of Innovation and Science and for which the Minister of Innovation and Science is accountable. Other entities reporting to the Minister are the Department of Innovation and Science, the Alberta Oil Sands Technology and Research Authority, the Alberta Science and Research Authority and its subsidiaries including the Alberta Research Council Inc. and its subsidiaries and the Alberta Informatics Circle of Research Excellence Inc. The activities of these organizations are not included in these financial statements. The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting.

Contributions from the Lottery Fund are subject to the approval of annual appropriations and are recorded in the period for which they are approved. AARI may be required to refund unexpended portions of contributions held at the end of a period.

Contributions from sponsors represent donations to AARI for specific research projects and do not include donations in-kind.

Unrestricted contributions are recognized as revenue when they are received.

Expenses

Directly Incurred

Directly incurred expenses only include those costs AARI has primary responsibility and accountability for, as reflected in the government's budget documents.

Research grants and administered awards are recorded as an expense when approved for payment by the Board of Directors and all terms and conditions of eligibility for payment of the award have been met.

Incurred by Others

Services contributed by other entities in support of AARI's operations are disclosed in Schedule 6.

Assets

Financial assets of AARI include financial claims, such as advances to and receivables from other organizations, employees, and other individuals.

Liabilities

Liabilities represent all financial claims payable by AARI at the period end.

Externally restricted contributions are recorded as deferred contributions until the related expenses are incurred, at which time they are recognized as revenue.

Net Assets

Net assets represents the difference between the value of assets held by AARI and its liabilities.

Valuation of Financial Assets & Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, restricted cash, accounts receivable, accounts payable, and deferred contributions are estimated to approximate their book values.

Note 4 Cash (In thousands)

(a) Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate or earnings of the CCITF which varies depending on prevailing market interest rates. Interest earned on cash balances for the period ending July 31, 2000 in the amount of $106 (March 31, 2000 - $378) is credited to AARI's CCITF account and is reflected in these financial statements.

(b) Restricted Cash

Restricted cash represents unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

Note 5 Deferred Contributions

(In thousands)

Deferred contributions represent contributions received relating to future years and unspent funds received for restricted purposes.

The deferred contributions balance is comprised of the following:

	July 31, 2000	March 31, 2000
Restricted contributions received (refunded) during the period:		
Beef Industry Development Fund	$ (65)	$ -
Industry sponsored projects	(2)	1,823
Sponsors matching grants projects	-	525
Government sponsored projects	-	633
Variety testing program	-	228
Development program	88	186
	21	3,395
Less:		
Transfer to Alberta Agriculture, Food and Rural Development	(1,568)	-
Transfer to ASRA	(695)	-
Revenue recognized in the current period	(89)	(2,891)
Increase (Decrease) during the period	(2,331)	504
Accounts receivable	-	(53)
Balance at beginning of the period	2,331	1,880
Balance at end of the period	$ -	$ 2,331

Balance at the end of the period is comprised of:

	July 31, 2000	March 31, 2000
Beef Industry Development Fund	$ -	$ 65
Industry sponsored projects	-	862
Sponsors matching grants projects	-	520
Government sponsored projects	-	158
Variety testing program	-	83
Development program	-	643
	$ -	$ 2,331

Note 6 Commitments
(In thousands)

AARI has commitments as at July 31, 2000 totaling $1,218 (March 31, 2000 - $5,216) for approved projects for 2001. These commitments were transferred to ASRA on July 31, 2000.

Note 7 Contingent Liabilities
(In thousands)

At July 31, 2000, AARI became aware of a Goods and Services Tax assessment by the Canada Customs and Revenue Agency in the amount of $184. Alberta Treasury has agreed to contest $143 on behalf of AARI. The resulting loss, if any, will be recorded as an expenditure upon resolution of the assessment. These contingent liabilities were transferred to ASRA on July 31, 2000.

Note 8 Budget

The budget of expenses by program for AARI was included in the 2000-2001 Government Estimates.

Note 9 Approval of Financial Statements

These financial statements were reviewed by management and recommended to the board for approval.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

SCHEDULE TO FINANCIAL STATEMENTS **Schedule 1**
REVENUES
FOR THE FOUR MONTHS ENDED JULY 31, 2000

	(In thousands)		
	March 31, 2001 Annual Authorized Budget	Four Months Ended July 31, 2000 Actual	Year ended March 31, 2000 Actual
Internal Government Transfers			
Lottery Fund	$ -	$ -	$ 8,000
Alberta Science and Research Authority (1)	8,582	8,582	1,077
Alberta Agriculture, Food and Rural Development	-	-	678
	8,582	8,582	9,755
Transfer from the Government of Canada			
Beef Industry Development Program	-	-	26
Contribution to Projects	-	-	103
	-	-	129
Fees, Permits, and Licenses	10	-	87
Contributions from Sponsors (2)	-	53	2,031
Interest	190	106	378
Other Revenues:			
Prior Year's Refund of Expenditures	100	96	57
Development Programs	-	37	60
	300	292	2,613
Total Revenues	$ 8,882	$ 8,874	$ 12,497

(1) Funding from the Alberta Science and Research Authority consists of grants from the Lottery Fund. Lottery Fund transfers are approved on an annual basis and distributed equally on a quarterly basis.

(2) Contributions were received from the Agriculture and Food Council.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES DETAILED BY OBJECT
FOR THE FOUR MONTHS ENDED JULY 31, 2000

Schedule 2

	(In thousands)		
	March 31, 2001 Annual Budget	Four Months Ended July 31, 2000 Actual	Year ended March 31, 2000 Actual
Statutory:			
Salaries, wages and employee benefits	$ -	$ -	$ 2,379
Supplies and services	442	73	1,311
Grants	8,755	7,113	7,838
Financial transactions and other	15	46	15
Total expenses	$ 9,212	$ 7,232	$ 11,543

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES BY ELEMENT TO AUTHORIZED BUDGET
FOR THE FOUR MONTHS ENDED JULY 31, 2000

Schedule 3

	(In thousands)		
	March 31, 2001 Annual Authorized Budget	Four Months Ended July 31, 2000 Actual	Under Budget (Over Budget)
Research Funding			
Research grants and administered awards	$ 5,215	$ 3,859	$ 1,356
Agriculture Research Program, Vegreville	2,300	2,310	(10)
Sponsored research	-	53	(53)
Development programs	-	37	(37)
Emerging strategic issues	500	359	141
	8,015	6,618	1,397
Administration			
Administration	454	105	349
Change in unfunded pension liability	(5)	-	(5)
Performance measurements	8	-	8
	457	105	352
Research Information			
On Farm Demonstration	700	509	191
Information Transfer	40	-	40
	740	509	231
Total expenses	9,212	$ 7,232	$ 1,980
Capital investment	$ 100	$ -	$ 100

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

Schedule to Financial Statements **Schedule 4**

Salary, Honoraria and Benefits Disclosure

For the four months ended July 31, 2000

	Four months ended July 31, 2000				Year ended March 31, 2000
	Salary [1]	Honoraria[2]	Benefits & Allowances [3]	Total [4]	Total
Chairman of Board	$ 5,000	$ -	$ -	$ 5,000	$ 15,158
Board Members	-	11,665	-	11,665	17,987

NOTES:

(1) Salary consists of regular base pay.

(2) Board members of the Alberta Agricultural Research Institute receive honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment insurance, short and long-term disability plans, professional memberships and tuition fees.

(4) All management and administrative activities for AARI were paid for by the Department of Innovation and Science.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

Schedule 5

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE FOUR MONTHS ENDED JULY 31, 2000

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

AARI and its employees paid certain taxes and fees set by regulation for permits, license and other charges.

These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

AARI had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	(In thousands)			
	Entities in the Ministry		Other Entities	
	Four Months Ended July 31, 2000	Year ended March 31, 2000	Four Months Ended July 31, 2000	Year ended March 31, 2000
Revenues:				
Grant from Alberta Science and Research Authority	$ 8,582	$ 1,077	$ -	$ -
Expenses:				
Grant to Alberta Research Council Inc.	2,514	2,600	-	-
Grant to Agriculture, Food and Rural Development	-	-	552	-
	$ 2,514	$ 2,600	$ 552	$ -

AARI also had the following transactions with related parties for which no consideration was exchanged.

The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	(In thousands)			
	Entities in the Ministry		Other Entities	
	Four Months Ended July 31, 2000	Year ended March 31, 2000	Four Months Ended July 31, 2000	Year ended March 31, 2000
Expenses (notional):				
Accommodation	$ -	$ -	$ 6	$ 12
Administrative support provided by the Department of Innovation and Science	179	-	-	-
Services provided by Alberta Agriculture, Food and Rural Development	-	-	-	277
	$ 179	$ -	$ 6	$ 289

ALBERTA AGRICULTURAL RESEARCH INSTITUTE

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

FOR THE FOUR MONTHS ENDED JULY 31, 2000 **Schedule 6**

	(In Thousands)				
	Four Months Ended July 31, 2000				Year Ended March 31, 2000
	Expenses(1)	Administrative Support(2)	Accommodation Costs(3)	Total	Total
Program					
Research funding	$ 6,618	$ 173	$ 6	$ 6,797	$ 10,540
Administration	105	3	-	108	514
Research information	509	3	-	512	778
	$ 7,232	$ 179	$ 6	$ 7,417	$ 11,832

(1) Expenses are per Statement of Operations.

(2) Costs shown for Administrative support are provided by the Department of Innovation and Science.

(3) Costs shown for Accommodation are provided by the Department of Infrastructure.

Alberta Oil Sands Technology and Research Authority
Financial Statements
For the Four Months Ended July 31, 2000

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Budget

Schedule of Related Party Transactions

Schedule of Allocated Costs

Auditor's Report

To the Minister of Innovation and Science

I have audited the statement of financial position of the Alberta Oil Sands Technology and Research Authority as at July 31, 2000 and the statements of operations and changes in financial position for the four month period then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at July 31, 2000 and the results of its operations and the changes in its financial position for the four month period then ended in accordance with generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 27, 2000

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY

STATEMENT OF OPERATIONS
FOR THE FOUR MONTHS ENDED JULY 31, 2000

	(In thousands)		
	March 31, 2001 Annual Budget	Four Months Ended July 31, 2000 Actual	Year ended March 31, 2000 Actual
Revenues			
Production revenue and recoveries	$ 125	$ 537	$ 1,043
Sale of technology	954	-	-
Other revenue	-	75	-
	1,079	612	1,043
Expenses - Directly Incurred (Note 3b)			
In situ oil sand and heavy oil	2,240	676	2,389
Oil sands mining and extraction	135	-	2,025
University programs	1,425	204	1,376
Conventional oil, enhanced oil recovery & natural gas	300	25	649
Bitumen and heavy oil upgrading	850	240	612
Transportation & marketing	-	-	86
Hydrogen and energy related environmental technologies	500	194	82
Underground test facility	-	1	34
Greenhouse gas and climate change technologies	62	-	20
Technology management	28	29	13
Miscellaneous	-	-	2
	5,540	1,369	7,288
Net operating results	$ (4,461)	(757)	(6,245)
Net assets, beginning of year		11,969	18,214
Net transfers from General Revenues		-	-
Net transfer to Alberta Science and Research Authority (Note 1)		(11,212)	-
Net assets, end of year (Note 1)		$ -	$ 11,969

The accompanying notes and schedules are part of these financial statements.

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2000

	(In thousands)	
	July 31, 2000	March 31, 2000
Assets		
Cash (Note 4)	$ -	$ 14,162
Accounts receivable and accrued receivables	-	838
	$ -	$ 15,000
Liabilities		
Accounts payable and accrued liabilities	$ -	$ 491
Provision for project abandonment (Note 6)	-	2,188
Holdback liability	-	352
	-	3,031
Net Assets (Note 1)	-	11,969
	$ -	$ 15,000

The accompanying notes and schedules are part of these financial statements.

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FOUR MONTHS ENDED JULY 31, 2000

	(In thousands) Four Months Ended July 31, 2000	(In thousands) Year ended March 31, 2000
Operating transactions		
Net operating results	$ (757)	$ (6,245)
Decrease (increase) in accounts receivable	838	(361)
Decrease in accounts payable	(491)	(284)
Decrease in provision for project abandonment	(2,188)	(441)
Decrease in holdbacks payable	(352)	(831)
Net cash used in operating transactions	(2,950)	(8,162)
Net transfer to Alberta Science and Research Authority (Note 1)	(11,212)	-
Net cash used	(14,162)	(8,162)
Cash, beginning of year	14,162	22,324
Cash, end of year	$ -	$ 14,162

The accompanying notes and schedules are part of these financial statements.

Alberta Oil Sands Technology and Research Authority

Notes to the Financial Statement for the Four Months Ended July 31, 2000

Note 1 Authority

The Alberta Oil Sands Technology and Research Authority (AOSTRA) operated under the authority of the Oil Sands Technology and Research Authority Act, Chapter 0-6, Revised Statues of Alberta 1980.

On May 30, 2000, the Alberta Science and Research Authority Amendment Act, 2000 was given Royal Assent. Part 3 of the legislation dissolved the corporation known as AOSTRA and vested all of AOSTRA's assets and liabilities in the Alberta Science and Research Authority (ASRA). The following assets and liabilities have been transferred from AOSTRA to ASRA on July 31, 2000:

	(In thousands)
Cash	$ 13,628
Accrued Receivables	75
Accrued Grant Liabilities	(330)
Holdback Liability	(388)
Provision for Project Abandonment	(1,623)
Unearned Revenue	(150)
Net asset transfer to the Alberta Science and Research Authority	$ 11,212

In addition, Part 3 of the legislation establishes the Alberta Energy Research Institute (AERI) as an unincorporated board and broadens the mandate for AERI to include all energy research.

Note 2 Purpose

AOSTRA was created to assist in the development of new technology for recovery and processing of petroleum from Alberta oil sands deposits and heavy crude reserves, and enhanced recovery of oil from conventional petroleum reservoirs. These programs were transferred to ASRA on July 31, 2000.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting.

Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is AOSTRA, which is part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. Other entities reporting to the Minister are the Department of Innovation and Science, the Alberta Agricultural Research Institute, the Alberta Science and Research Authority and its subsidiaries, including the Alberta Research Council Inc. and its subsidiaries and the Alberta Informatics Circle of Research Excellence Inc. The activities of these organizations are not included in these financial statements.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Contract revenue is recognized as costs are incurred. Full provision is made for all known or estimated losses on incomplete contracts as soon as they can reasonably be estimated.

Expenses

Directly Incurred

Directly incurred expenses only include those costs AOSTRA has primary responsibility and accountability for, as reflected in the government's budget documents.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others

Services contributed by other entities in support of AOSTRA's operations are disclosed in Schedule 3.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Assets

Financial assets of AOSTRA include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by AOSTRA at fiscal year end.

Net Assets

Net assets represent the difference between the value of assets held by AOSTRA and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities, and unearned revenues are estimated to approximate their book values.

Note 4 Cash (In thousands)

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. The securities are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Due to the short-term nature of the Fund's investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates. Interest earned on cash balances for the period ending July 31, 2000 in the amount of $260 (March 31, 2000 - $975) is credited to general revenues of the Province of Alberta and is therefore not reflected in these financial statements.

Note 5 Commitments

(In thousands)

AOSTRA has general commitments as at July 31, 2000 totalling $14,042 (March 31, 2000 - $6,157) for approved projects. These commitments were transferred to ASRA on July 31, 2000.

Year	Committed
2001	$ 5,059
2002	2,455
2003	1,978
2004	650
Thereafter	3,900
	$ 14,042

Note 6 Provision for Future Project Abandonment

(In thousands)

Under joint participation agreements, AOSTRA will incur certain costs when wells and experimental projects are abandoned. Management's estimate of future abandonment costs at July 31, 2000 is $1,623 (March 31, 2000 - $2,188). This provision was transferred to ASRA on July 31, 2000.

Note 7 Comparative Figures

Certain March 31, 2000 figures have been reclassified to conform to the July 31, 2000 presentation.

Note 8 Budget

The budget was included in the 2000-2001 Estimates for the Government of Alberta. A more detailed budget, which was prepared by management, has been included in these financial statements.

Note 9 Approval of Financial Statements

These financial statements were reviewed by management and recommended to the board for approval.

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY

SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
FOR THE FOUR MONTHS ENDED JULY 31, 2000

Schedule 1

(In thousands)

	March 31, 2001 Annual Authorized Budget	Four Months Ended July 31, 2000 Actual	Under Budget (Over Budget)
Revenues			
Production revenue and recoveries	$ 125	$ 537	$ (412)
Sale of technology	954	-	954
Other revenue	-	75	(75)
	1,079	612	467
Expenses			
Statutory:			
Alberta Oil Sands Technology and Research Authority	5,540	1,369	4,171
	5,540	1,369	4,171
Net operating results	$ (4,461)	$ (757)	$ (3,704)

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE FOUR MONTHS ENDED JULY 31, 2000

Schedule 2

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

AOSTRA and its employees paid certain taxes and fees set by regulation for permits, license and other charges.

These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

AOSTRA had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	(In thousands)			
	Entities in the Ministry		Other Entities	
	Four Months Ended July 31, 2000	Year ended March 31, 2000	Four Months Ended July 31, 2000	Year ended March 31, 2000
Expenses				
Grants to Alberta Research Council Inc.	$ 555	$ 1,113	$ -	$ -

AOSTRA also had the following transactions with related parties for which no consideration was exchanged.

The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	(In thousands)			
	Entities in the Ministry		Other Entities	
	Four Months Ended July 31, 2000	Year ended March 31, 2000	Four Months Ended July 31, 2000	Year ended March 31, 2000
Expenses (notional)				
Accommodation	$ -	$ -	$ 5	$ 14
Administrative support provided by the Department of Innovation and Science	201	-	-	-
	$ 201	$ -	$ 5	$ 14

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY

SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE FOUR MONTHS ENDED JULY 31, 2000

Schedule 3

	(In Thousands)				
	Four Months Ended July 31, 2000				Year Ended March 31, 2000
Program	Expenses [1]	Administrative Support [2]	Accommodation Costs [3]	Total	Total
In Situ Oil Sand and Heavy Oil	$ 676	$ 100	$ 2	$ 778	$ 2,394
Oil Sands Mining and Extraction	-	-	-	-	2,029
University Programs	204	30	1	235	1,379
Conventional Oil, Enhanced Oil Recovery & Natural Gas	25	4	-	29	650
Bitumen and Heavy Oil Upgrading	240	35	1	276	613
Transportation and Marketing	-	-	-	-	86
Hydrogen and Energy Related Environmental Technologies	194	28	1	223	82
Underground Test Facility	1	-	-	1	34
Greenhouse Gas and Climate Change Technologies	-	-	-	-	20
Technology Management	29	4	-	33	13
Miscellaneous	-	-	-	-	2
	$ 1,369	$ 201	$ 5	$ 1,575	$ 7,302

[1] Expenses are per Statement of Operations.

[2] Costs shown for Administrative support are provided by the Department of Innovation and Science.

[3] Costs shown for Accommodation are provided by the Department of Infrastructure.

Alberta Science and Research Authority
Consolidated Financial Statements
For the Year Ended March 31, 2001

Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Financial Position

Notes to the Consolidated Financial Statements

Consolidated Schedule of Expenses - Directly Incurred Detailed By Object

Consolidated Schedule of Operating Budget

Consolidated Schedule of Operating Results

Consolidated Schedule of Comparison Of Expenses By Element To Authorized Budget

Consolidated Schedule of Salary, Honoraria And Benefits Disclosure

Consolidated Schedule of Related Party Transactions

Consolidated Schedule of Allocated Costs

Auditor's Report

To the Board of Management of the Alberta Science and Research Authority

I have audited the consolidated statement of financial position of the Alberta Science and Research Authority as at March 31, 2001 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Alberta Science and Research Authority as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001

	(In thousands)		
	2001 Budget	2001 Actual	2000 Actual
REVENUES (Note 3 and Schedules 2 and 3)			
Internal Government Transfers			
Transfer from Department - General Revenue Fund	$ 52,120	$ 58,034	$ 45,395
Transfer from Department - Lottery Fund	40,832	40,832	-
Transfers from Government of Canada	1,625	2,306	-
Commercial Revenue	31,188	28,906	23,950
Contracts with Other Ministries	6,095	3,391	7,725
Contracts with Own Ministry	1,994	3,386	-
Interest Income	-	702	155
Other Revenue	-	1,771	-
Total REVENUES	133,854	139,328	77,225
EXPENSES- Directly Incurred (Note 3 and Schedules 1, 2, 3, 4 and 7)			
Program Expenses			
Operations and Policy Research	600	575	931
University Research Investments	29,600	22,545	-
Strategic Research Initiatives	12,250	21,743	15,822
Research Excellence Envelope	3,500	3,500	-
Technology Commercialization	3,470	4,586	-
Agricultural Research Initiative	-	1,438	-
Energy Research Initiative	-	6,735	-
Alberta Research Council Inc.	65,435	62,588	59,407
iCORE Inc.	10,000	10,004	853
Grant to Alberta Agricultural Research Institute	8,582	8,582	-
Total Program Expenses	133,437	142,296	77,013
Valuation Adjustments			
Provision for Vacation Pay	-	12	2
Total Valuation Adjustments	-	12	2
Total EXPENSES	133,437	142,308	77,015
NET OPERATING RESULTS	$ 417	$ (2,980)	$ 210

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2001

	(In thousands) 2001	2000
ASSETS		
Cash and Cash Equivalents (Note 5)	$ 13,858	$ 9,009
Restricted Cash (Note 5)	756	-
Accounts Receivable (Note 7)	23,467	11,074
Capital Assets (Note 8)	19,170	19,251
	$ 57,251	$ 39,334
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 14,507	$ 12,608
Unearned Revenue	5,707	4,891
Holdback Liability	636	-
Promissory Note	-	281
Current Portion of Long Term Debt (Note 10)	390	336
	21,240	18,116
Accumulated Provision for Project Abandonment (Note 9)	1,469	-
Long Tem Debt (Note 10)	1,956	2,374
	24,665	20,490
NET ASSETS		
Net Assets, Beginning of Year	$ 18,844	$ 22,163
Net Operating Results	(2,980)	210
Net Transfers from General Revenue	1,370	(3,529)
Net Asset Transfer from Alberta Agricultural Research Institute (Note 4)	4,140	-
Net Asset Transfer from Alberta Oil Sands Technology and Research Authority (Note 4)	11,212	-
Net Assets, End of Year	32,586	18,844
	$ 57,251	$ 39,334

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2001

(In thousands)

	2001	2000
OPERATING TRANSACTIONS		
Net Operating Results	$ (2,980)	$ 210
Non-Cash Items:		
Amortization of Capital Assets	2,951	2,957
Valuation Adjustments	12	2
	(17)	3,169
Increase in Accounts Receivable	(12,393)	(3,413)
Decrease in Other Assets	-	304
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,887	(2,691)
Increase in Unearned Revenue	816	3,473
Increase in Holdback Liability	636	-
Increase (Decrease) in Promissory Note	(281)	281
Increase in Current Portion of Long Term Debt	54	-
Increase in Accumulated Provision for Project Abandonment	1,469	-
NET CASH PROVIDED (USED) BY OPERATING TRANSACTIONS	(7,829)	1,123
INVESTING TRANSACTIONS		
Increase in Restricted Cash	(756)	-
Repayment of Long Term Debt	(418)	-
Issuance of Long Term Debt	-	2,710
Purchases of Capital Assets	(2,898)	(11,504)
Proceeds from Disposal of Capital Assets	28	21
CASH USED BY INVESTING TRANSACTIONS	(4,044)	(8,773)
FINANCING TRANSACTIONS		
Net Transfers from General Revenue	1,370	(3,529)
CASH PROVIDED (USED) BY FINANCING TRANSACTIONS	1,370	(3,529)
NET ASSET TRANSFERS (Note 4)		
Alberta Agricultural Research Institute	4,140	-
Alberta Oil Sands Technology and Research Authority	11,212	-
CASH PROVIDED BY NET ASSET TRANSFERS	15,352	-
NET CASH PROVIDED (USED)	4,849	(11,179)
CASH, BEGINNING OF YEAR	9,009	20,188
CASH, END OF YEAR	$ 13,858	$ 9,009

The accompanying notes and schedules are part of these financial statements.

Alberta Science and Research Authority

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2001

Note 1 Authority

The Minister of Innovation and Science is responsible for the Alberta Science and Research Authority. To fulfill this responsibility, the Minister administers the organizations listed below. The authority under which each organization operates is the Alberta Science and Research Authority Act. Together, these organizations form the consolidated Alberta Science and Research Authority.

Organizations

- Alberta Science and Research Authority
- Alberta Research Council Inc. including its wholly owned subsidiaries:
  - C-FER Technologies (1999) Inc. (formerly C-FER Inc.)
  - 764330 Alberta Inc. (formerly C-FER Technologies Inc.)
- iCORE Inc. (Alberta Informatics Circle of Research Excellence)

On May 30, 2000, the Alberta Science and Research Authority Amendment Act, 2000 was given Royal Assent. Effective August 1, 2000 this legislation:

- dissolved the corporations known as the Alberta Agricultural Research Institute and the Alberta Oil Sands Technology and Research Authority and transferred the assets and liabilities of the corporations to ASRA;
- changed the name of the Alberta Oil Sands Technology and Research Authority to the Alberta Energy Research Institute and broadened the mandate for the Alberta Energy Research Institute to include all energy research.

On October 18, 2000, Order in Council 403/2000 approved the dissolution and winding up of PRI Solutions Inc. and 764330 Alberta Inc. subsidiaries of the Alberta Research Council Inc.

On December 4, 2000, the Miscellaneous Statutes Amendment Act, 2000 (No. 2) changed the title of the Alberta Science, Research and Technology Authority Act to the Alberta Science and Research Authority Act and the name of the Alberta Science, Research and Technology Authority to the Alberta Science and Research Authority.

Note 2 Purpose

The purpose of the Alberta Science and Research Authority is to enhance the contribution of science, research and information technology to the sustainable prosperity and quality of life of all Albertans. The ultimate goal of Alberta Science and Research Authority is to increase the socio-economic benefits of science and research investments in the province of Alberta.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Alberta Science and Research Authority and includes the operations of the Alberta Science and Research Authority, iCORE Inc. (Alberta Informatics Circle of Research Excellence) and the Alberta Research Council Inc. and its subsidiaries. The Alberta Science and Research Authority is part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science (Department). The activities of the Department are not included in these financial statements. The financial statements for the Department provide more detailed information about its operations. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

(b) Method of Consolidation

The activities of the entities within the Alberta Science and Research Authority (ASRA) are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Intra-entity revenue and expense transactions, investing and financing transactions, and related asset and liability accounts within ASRA have been eliminated. Details of the consolidation adjustments are provided in Schedules 2 and 3.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Contract revenue is recognized as costs are incurred. Full provision is made for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Royalties and licensing fee revenue is recognized when the amount can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

Expenses

Grants are recorded as expenditures when authorized and when all eligibility conditions have been satisfied.

Directly Incurred

Directly incurred expenses are those costs ASRA has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- Amortization of capital assets.
- Pension costs which comprise the cost of employer contributions for current service of employees during the year.
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of ASRA's operations are disclosed in Schedule 7.

Assets

Financial assets include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

The fair values of cash equivalents are estimated to approximate their carrying values.

Assets acquired by right are not included in these statements. Capital assets are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

Expenses for patents owned as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue.

Expenses on the acquisition or development of other intangible assets including intellectual capital are not capitalized, as currently there is no acceptable methodology for measuring the value of future benefits accruing.

Liabilities

Liabilities represent all financial claims payable by ASRA at fiscal year end.

Net Assets

Net assets represent the difference between the value of assets held by ASRA and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable, accrued liabilities, and unearned revenues are estimated to approximate their book values.

Note 4 Changes in Operations and Programs

(a) Alberta Agricultural Research Institute

Part 2 of the Alberta Science and Research Authority Act, dissolved the corporation known as the Alberta Agricultural Research Institute and vested all of the Alberta Agricultural Research Institute's assets and liabilities in ASRA. The following assets and liabilities were transferred from the Alberta Agricultural Research Institute on August 1, 2000:

	(In thousands)
Cash	$ 2,618
Restricted Cash	695
Accounts Receivable & Accrued Receivable	6,442
Accounts Payable	(1)
Accrued Liabilities	(4,919)
Deferred Contributions	(695)
Net assets transferred	$ 4,140

(b) Alberta Oil Sands Technology and Research Authority

Part 3 of the Alberta Science and Research Authority Act, dissolved the corporation known as the Alberta Oil Sands Technology and Research Authority and vested all of the Alberta Oil Sands Technology and Research Authority's assets and liabilities in ASRA. The following assets and liabilities were transferred from the Alberta Oil Sands Technology and Research Authority on August 1, 2000:

	(In thousands)
Cash	$ 13,628
Accrued Receivables	75
Accrued Grant Liabilities	(330)
Holdback Liability	(388)
Provision for Project Abandonment	(1,623)
Unearned Revenue	(150)
Net assets transferred	$ 11,212

Note 5 Cash and Cash Equivalents (In thousands)

(a) Cash

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. The securities are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value.

Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest earned by the Alberta Research Council Inc.'s CCITF account is credited to the general revenues of the Province of Alberta and is not reflected in these financial statements.

The interest of $702 (2000 - $155) earned on the cash balance of ASRA's remaining CCITF account has been credited to the account, and is reflected in these financial statements.

(b) Cash Equivalents

At March 31, cash equivalents consist of:

	2001	2000
Marketable securities	$ 177	$ 151
6% investment in private company	250	-
	$ 427	$ 151

The quoted market value of marketable securities at March 31, 2001 was $358 (2000 - $258). The net realizable value of the investment in shares of a private company approximates cost.

(c) Restricted Cash

Restricted cash $756 (2000 - nil) represents unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

Note 6 Warrants and Options

(In thousands)

As part of the consideration for granting various licenses, the Alberta Research Council Inc. has received a number of options and warrants to acquire common shares of public companies. The following options and warrants have been recorded at nominal value.

	2001		2000	
	Exercise Price	Market Value	Exercise Price	Market Value
Options which expire in 2002	$ 106	$ 146	$ 211	$ 1,543
Options which expire in 2003	510	263	510	577
	$ 616	$ 409	$ 721	$ 2,120

As part of the licensing agreement associated with the options which expire in 2002, the Alberta Research Council Inc. has designated one-half of the net proceeds on the sale of the shares received upon exercising these options for collaborative research projects.

The Alberta Research Council Inc. is subject to market risks with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in the market price.

Note 7 Accounts Receivable (In thousands)

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 10,514	$ (272)	$ 10,242	$ 6,746
Federal Government	1,308	-	1,308	1,001
Alberta Government Departments and Agencies	11,917	-	11,917	3,327
	$ 23,739	$ (272)	$ 23,467	$ 11,074

Accounts receivable are unsecured and non-interest bearing.

Note 8 Capital Assets (In thousands)

		2001			2000
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	Indefinite	$ 566	$ -	$ 566	$ 566
Building	30 yrs	2,106	141	1,965	1,999
Equipment [1]	3-25 yrs	39,630	27,965	11,665	11,890
Computer Hardware/Software	3-5 yrs	4,362	3,689	673	650
Leasehold Improvements	25 yrs	7,021	2,720	4,301	4,146
		$ 53,685	$ 34,515	$ 19,170	$ 19,251

[1] Equipment also includes furniture and fixtures.

Note 9 Accumulated Provision for Future Project Abandonment
(In thousands)

Under joint participation agreements, ASRA will incur certain costs when wells and experimental projects are abandoned. Management's estimate of future abandonment costs is $1,469 (2000 - nil).

Note 10 Long Term Debt (In thousands)

	2001	2000
7.32% mortgage, payable in monthly instalments of $41 including interest, due October 1, 2001.	$ 2,262	$ 2,580
Bank term loan, at prime, payable in monthly instalments of $4 plus interest, due October 12, 2002.	84	130
	2,346	2,710
Less current portion	390	336
	$ 1,956	$ 2,374

A demand debenture with a fixed charge over land, building and equipment, a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage and term loan.

The following estimated principal repayments during the next five years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments
2002	$ 390
2003	395
2004	392
2005	422
2006	747
	$ 2,346

Note 11 Commitments (In thousands)

(a) Grant Commitments

Commitments as at March 31, 2001 total $81,425 (2000 - $46,014) for approved projects in the following years:

Year	Committed
2002	$ 39,758
2003	21,404
2004	10,216
2005	3,666
2006	2,958
Thereafter	3,423
	$ 81,425

(b) Leases

Certain equipment is leased under operating leases that expire on various dates to 2006. The aggregate amount payable for the unexpired terms of these leases are as follows:

Year	Amount
2002	$ 110
2003	90
2004	44
2005	28
2006	20
Thereafter	-
	$ 292

Note 12 Contingencies
(In thousands)

During fiscal 1999, ASRA was made aware of a $4,079 claim naming the Alberta Research Council Inc. as the defendant. The claim relates to contamination produced from certain oil wells and arises out of a joint venture agreement to develop drilling fluid that would act a fracturing agent. A previous claim, naming the Alberta Research Council Inc. as one of the defendants, related to the same event was settled in the previous year. This matter has been referred to the insurers and the likelihood of loss or the amount of loss to Alberta Research Council Inc. is not determinable at this time, however, management has stated that any losses would be fully covered by insurance. Any settlement that may occur would be accounted for as a charge against current year's earnings at the time of settlement.

During fiscal 2000, ASRA was made aware of a $2,200 claim relating to intellectual property ownership which was filed by a former employee of the Alberta Research Council Inc. Management feels that the claim is without merit, however, the likelihood of loss is not determinable at this time. Any settlement that may occur would be accounted for as a charge against current year's earnings at the time of settlement.

Note 13 Pensions
(In thousands)

ASRA participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. ASRA also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $1,598 for the year ending March 31, 2001 (2000 - $1,506).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658 (1999 - $46,019) and the Public Service Pension Plan reported a surplus of $635,084 (1999 - $517,020). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180 (1999 -$33).

Note 14 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 15 Approval of Financial Statements

These financial statements were reviewed by the audit committee and recommended to the ASRA Board for approval.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 1

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
OBJECT			
Salaries, Wages and Employee Benefits	$ 34,680	$ 39,172	$ 35,700
Supplies and Services	32,346	25,882	22,669
Grants	63,932	74,283	15,611
Financial Transactions and Other	-	20	78
Amortization of Capital Assets	2,479	2,951	2,957
Total EXPENSES	$ 133,437	$ 142,308	$ 77,015

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
OPERATING BUDGET
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 2

(In thousands)

	2001				
	Alberta Science and Research Authority	Alberta Research Council Inc.	iCORE Inc.	Consolidation Adjustments	Consolidated Alberta Science and Research Authority
REVENUES					
Internal Government Transfers					
Transfer from Department - GRF	$ 52,120	$ 25,075	$ 10,000	$ (35,075)	$ 52,120
Transfer from Department - Lottery Fund	40,832	-	-	-	40,832
Transfer from Government of Canada	125	1,500	-	-	1,625
Commercial Revenue	-	31,188	-	-	31,188
Contracts with Other Ministries	-	6,095	-	-	6,095
Contracts with Own Ministry	-	1,994	-	-	1,994
Interest Income	-	-	-	-	-
Other Revenue	-	-	-	-	-
Total REVENUES	93,077	65,852	10,000	(35,075)	133,854
EXPENSES					
Program Expenses					
Operations and Policy Research	600	-	-	-	600
University Research Investments	29,600	-	-	-	29,600
Strategic Research Initiatives	12,250	-	-	-	12,250
Research Excellence Envelope	3,500	-	-	-	3,500
Technology Commercialization	3,470	-	-	-	3,470
Agricultural Research Initiative	-	-	-	-	-
Energy Research Initiative	-	-	-	-	-
Alberta Research Council Inc.	25,075	65,435	-	(25,075)	65,435
iCORE Inc.	10,000	-	10,000	(10,000)	10,000
Grant to Alberta Agricultural Research Institute	8,582	-	-	-	8,582
Total Program Expenses	93,077	65,435	10,000	(35,075)	133,437
Other Expenses					
Valuation Adjustment - Provision for Vacation Pay	-	-	-	-	-
Total Other Expenses	-	-	-	-	-
Total EXPENSES	93,077	65,435	10,000	(35,075)	133,437
NET OPERATING RESULTS	$ -	$ 417	$ -	$ -	$ 417
CAPITAL INVESTMENT	$ -	$ 2,927	$ -	$ -	$ 2,927

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
OPERATING RESULTS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 3

(In thousands)

	2001				
	Alberta Science and Research Authority	Alberta Research Council Inc.	iCORE Inc.	Consolidation Adjustments	Consolidated Alberta Science and Research Authority
REVENUES					
Internal Government Transfers					
Transfer from Department - GRF	$ 58,034	$ 25,075	$ 9,933	$ (35,008)	$ 58,034
Transfer from Department - Lottery Fund	40,832	-	-	-	40,832
Transfer from Government of Canada	120	2,186	-	-	2,306
Commercial Revenue	833	28,073	-	-	28,906
Contracts with Other Ministries	-	3,391	-	-	3,391
Contracts with Own Ministry	-	6,894	-	(3,508)	3,386
Interest Income	631	-	71	-	702
Other Revenue	1,574	197	-	-	1,771
Total REVENUES	102,024	65,816	10,004	(38,516)	139,328
EXPENSES					
Program Expenses					
Operations and Policy Research	575	-	-	-	575
University Research Investments	22,545	-	-	-	22,545
Strategic Research Initiatives	21,743	-	-	-	21,743
Research Excellence Envelope	3,500	-	-	-	3,500
Technology Commercialization	4,586	-	-	-	4,586
Agricultural Research Initiative	1,438	-	-	-	1,438
Energy Research Initiative	6,735	-	-	-	6,735
Alberta Research Council Inc.	25,075	65,403	-	(27,890)	62,588
iCORE Inc.	9,933	-	10,004	(9,933)	10,004
Grant to Alberta Agricultural Research Institute	8,582	-	-	-	8,582
Total Program Expenses	104,712	65,403	10,004	(37,823)	142,296
Other Expenses					
Valuation Adjustment - Provision for Vacation Pay	12	-	-	-	12
Total Other Expenses	12	-	-	-	12
Total EXPENSES	104,724	65,403	10,004	(37,823)	142,308
NET OPERATING RESULTS	$ (2,700)	$ 413	$ -	$ (693)	$ (2,980)
CAPITAL INVESTMENT	$ -	$ 2,898	$ -	$ -	$ 2,898

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES BY ELEMENT TO AUTHORIZED BUDGET
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 4

(In thousands)

	2001		
	Authorized Budget	Actual Expense	Unexpended (Over Expended)
Operations and Policy Research	$ 600	$ 575	$ 25
University Research Investments	29,600	22,545	7,055
Strategic Research Initiatives	12,250	21,743	(9,493)
Research Excellence Envelope	3,500	3,500	-
Technology Commercialization	3,470	4,586	(1,116)
Agricultural Research Initiative	- (1)	1,438	(1,438)
Energy Research Initiative	- (2)	6,735	(6,735)
Alberta Research Council Inc.	65,435	62,588	2,847
iCORE Inc.	10,000	10,004	(4)
Grant to Alberta Agricultural Research Institute	8,582 (3)	8,582	-
	$ 133,437	$ 142,296	$ (8,859)

(1) Effective August 1, 2000, the assets and liabilities of the corporate entity Alberta Agricultural Research Institute were transferred to ASRA.

(2) Effective August 1, 2000, the assets and liabilities of the corporate entity Alberta Oil Sands Technology and Research Authority were transferred to ASRA. The Alberta Oil Sands Technology and Research Authority was renamed to the Alberta Energy Research Institute.

(3) Prior to the dissolution of the corporate entity Alberta Agricultural Research Institute, the Institute received a grant of $8,582 from ASRA.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
SALARY, HONORARIA AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 5

	2001				2000
	Salary [1]	Honoraria [2]	Benefits & Allowances [3]	Total	Total
Chair of Alberta Science and Research Authority	$ -	$ 34,301	$ -	$ 34,301	$ 25,315
Co-Chairs of Alberta Agricultural Research Institute	7,993	9,779	-	17,772	-
Co-Chairs of Alberta Energy Research Institute	-	4,096	-	4,096	-
Board Members [4]	-	36,368	-	36,368	16,969

NOTES:

[1] One MLA serves as a Co-Chair for the Alberta Agricultural Research Institute and receives a monthly salary.

[2] The Chair of the Alberta Science and Research Authority, the Co-Chairs of the Alberta Agricultural Research Institute, the Co-Chairs of the Alberta Energy Research Institute and all Board Members are eligible to receive honoraria.

[3] Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment.

[4] Board Members include the Board Members of the Alberta Science and Research Authority, and the Board Members of ASRA's two unincorporated boards: the Alberta Agricultural Research Institute and the Alberta Energy Research Institute.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 6

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

ASRA and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

ASRA had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
REVENUES				
Grants from the Department of Innovation and Science	$ 98,866	$ 45,395	$ -	$ -
Grants to ASRA from:				
Alberta Agricultural Research Institute	2,310	2,470	-	-
Alberta Oil Sands Technology and Research Authority	379	1,072	-	-
Department of Innovation and Science	-	478	-	-
Contracts with Other Ministries	-	-	3,391	3,172
	$ 101,555	$ 49,415	$ 3,391	$ 3,172
EXPENSES - DIRECTLY INCURRED				
Charges from Alberta Infrastructure	$ -	$ -	$ 34	$ 74
Contracts with Other Ministries	-	-	3,391	3,172
	$ -	$ -	$ 3,425	$ 3,246
RECEIVABLE FROM THE DEPARTMENT OF INNOVATION AND SCIENCE	$ 9,751	$ -	$ -	$ -

ASRA also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(In thousands)

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
EXPENSES - INCURRED BY OTHERS				
Administrative support by the Department of Innovation and Science	$ 4,090	$ -	$ -	$ -
Accommodation from Alberta Infrastructure	-	-	12,372	11,873
Legal services from Alberta Justice	-	-	9	-
	$ 4,090	$ -	$ 12,381	$ 11,873

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2001

Schedule 7

(In Thousands)

	2001						2000
		Expenses Incurred by Others			Valuation Adjustment		
	Expenses [1]	Accommodation Costs [2]	Legal Costs [3]	Administrative Costs [4]	Vacation Pay [5]	Total	Total
Program							
Operations and Policy Research	$ 575	$ 145	$ 9	$ 410	$ 12	$ 1,151	$ 933
University Research Investments	22,545	-	-	418	-	22,963	-
Strategic Research Initiatives	21,743	-	-	416	-	22,159	15,822
Research Excellence Envelope	3,500	-	-	67	-	3,567	-
Technology Commercialization	4,586	-	-	1,550	-	6,136	-
Agricultural Research Initiative	1,438	-	-	475	-	1,913	-
Energy Research Initiative	6,735	-	-	754	-	7,489	-
Alberta Research Council Inc.	62,588	12,159	-	-	-	74,747	71,280
iCORE Inc.	10,004	68	-	-	-	10,072	853
Grant to Alberta Agricultural Research Institute	8,582	-	-	-	-	8,582	-
	$ 142,296	$ 12,372	$ 9	$ 4,090	$ 12	$ 158,779	$ 88,888

[1] Expenses - Directly Incurred as per the Consolidated Statement of Operations, excluding valuation adjustments.
[2] Costs shown for Accommodation provided by the Department of Infrastructure.
[3] Costs shown for Legal Services provided by the Department of Justice.
[4] Costs shown for Administrative Support provided by the Department of Innovation and Science.
[5] Vacation Pay as per the Consolidated Statement of Operations.

Alberta Research Council Inc.
Consolidated Financial Statements
March 31, 2000

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Revenue and Expense and Operating Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

Consolidated Schedule of Allocated Costs

Auditor's Report

To the Board of Directors of the Alberta Research Council Inc.

I have audited the consolidated balance sheet of the Alberta Research Council Inc. as at March 31, 2001 and the consolidated statements of revenue and expense and operating equity and cash flows for the year then ended. These financial statements are the responsibility of the Research Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Research Council as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 27, 2001

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2001
(in thousands of dollars)

	2001 $	2000 $
ASSETS		
Current:		
Cash (Note 3)	5,606	8,796
Investments (Note 4)	427	151
Accounts receivable (Note 5)	10,891	9,993
Accrued income receivable	2,560	1,014
Inventory	381	289
Prepaid expenses	228	376
	20,093	20,619
Capital:		
Assets (Note 6)	19,170	19,253
	39,263	39,872
LIABILITIES AND EQUITY		
Current:		
Accounts payable and accrued liabilities	11,480	11,167
Unearned contract revenue	4,951	5,641
Promissory note	-	281
Current portion of long-term debt (Note 7)	390	336
	16,821	17,425
Long-term:		
Long-term debt (Note 7)	1,956	2,374
	18,777	19,799
Equity:		
Operating	20,486	20,073
	39,263	39,872

The accompanying notes are part of these financial statements.

Approved on behalf of the Board of Directors

[illegible] F. Jackson. Director

Marlene Graham Director

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE AND OPERATING EQUITY FOR THE YEAR ENDED MARCH 31, 2001

(in thousands of dollars)

	2001		2000
	Budget $ (Note 15)	Actual $	Actual $
REVENUE			
Investment from the Province of Alberta:			
General revenues (Note 12)	25,343	25,075	27,081
Contract revenue:			
Commercial	26,243	27,150	22,244
Alberta government departments and agencies	8,668	9,997	7,835
Royalties, licensing fees and product sales	5,721	3,593	1,706
	65,975	65,815	58,866
EXPENSE			
Salaries, wages and benefits	39,425	38,979	35,476
Materials and supplies	7,873	7,040	5,654
Professional, technical and labour services	5,870	7,018	6,542
Amortization	3,020	2,952	2,957
Computing supplies and services	1,685	2,276	1,706
Travel and hospitality	2,242	2,188	1,907
Other expenses	2,959	1,880	1,872
Legal and patent	829	1,504	1,183
Maintenance and rental	576	623	581
Telephone	545	480	432
Insurance	296	284	300
Interest	240	178	132
	65,560	65,402	58,742
Net revenue for the year	415	413	124
Operating equity at beginning of year	20,073	20,073	19,949
Operating equity at end of year	20,488	20,486	20,073

The accompanying notes are part of these financial statements.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001
(in thousands of dollars)

	2001 $	2000 $
Operating activities:		
Net revenue for the year	413	124
Items not affecting cash:		
Amortization	2,952	2,957
Write off of goodwill on acquisitions	-	208
Gain on sale of investments	(519)	-
Net change in non-cash balances (Note 10)	(2,765)	1,085
Purchase of investments	(356)	(151)
Proceeds on sale of investments	599	-
Net cash provided by operating activities	324	4,223
Investing activities:		
Capital asset additions	(2,898)	(6,415)
Proceeds on disposal of capital assets	29	21
Net working capital acquired on acquisitions	-	(1,992)
Net cash used by investing activities	(2,869)	(8,386)
Financing activities:		
Repayment of long-term debt	(364)	(220)
Repayment of promissory note	(281)	(94)
Net cash used in financing activities	(645)	(314)
Decrease in cash	(3,190)	(4,477)
Cash at beginning of year	8,796	13,273
Cash at end of year	5,606	8,796
Interest paid	178	132

The accompanying notes are part of these financial statements.

Alberta Research Council Inc.

Consolidated Notes to Financial Statements for the Year Ended March 31, 2001

(All tabular amounts in thousands of dollars, except Note 13)

Note 1 Authority and Purpose

The Alberta Research Council Inc. is incorporated under the Alberta Business Corporations Act (Alberta). The Alberta Research Council Inc. ("Research Council") is a wholly owned subsidiary of the Alberta Science and Research Authority ("Authority").

The Authority and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the Income Tax Act.

In partnership with global leaders, the Research Council advances the economy and well being of Alberta by providing technology and innovation to meet current and emerging needs of industry and government.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Research Council and its wholly owned subsidiaries

- C-FER Technologies (1999) Inc. (formerly C-FER Inc.)
- 764330 Alberta Inc. (formerly C-FER Technologies Inc.)

The Research Council's wholly owned subsidiaries Petroleum Recovery Institute and PRI Solutions Inc. were wound up, effective November 17, 2000 and October 31, 2000, respectively. The operations of these subsidiaries have continued within the Research Council.

(b) Investments

The Research Council records investments at the lower of cost and net realizable value.

(c) Inventory

Inventory is valued at the lower of average cost and net realizable value.

(d) Amortization

Capital assets are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Leasehold improvements	Twenty-five years
Equipment	Three to twenty years
Furniture and fixtures	Five years
Computer equipment and software	Three years
Building	Thirty years

(e) Patents and other Intangible Assets

Expenses incurred related to patents owned by the Research Council as a result of research activity are not capitalized due to the uncertain value of benefits which may accrue to the Research Council.

Expenses incurred on the acquisition or development of other intangible assets including intellectual capital are not capitalized as there currently is not an acceptable methodology for measuring the value of future benefits accruing to the Research Council.

(f) Revenue Recognition

Provincial investment funds, general revenues, are recognized as revenue in the year approved.

Contract revenue is recognized as costs are incurred, up to the contract maximum and in accordance with contracted cost-sharing ratios. The Research Council makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Royalties, licensing fee and product sales revenue is recognized when the amount can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

(g) Expenses incurred by others

Services contributed by other entities in support of the Research Council's operations are disclosed in schedule 1.

(h) Pension

The Research Council participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Note 3 Cash

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates. Interest earned on cash balances is credited to general revenues of the Province of Alberta and is therefore not reflected in these financial statements.

Note 4 Investments

	2001 $	2000 $
Marketable securities	177	151
6% investment in shares of private company	250	-
	427	151

The quoted market value of marketable securities at March 31 was $357,602 (2000 - $258,150). The net realizable value of the investment in shares of a private company approximates cost.

Note 5 Accounts Receivable

	2001 $	2000 $
Commercial	8,970	6,714
Alberta government departments and agencies	1,921	3,279
	10,891	9,993

Note 6 Capital Assets

	2001			2000
	Cost $	Accumulated amortization $	Net $	Net $
Land	566	-	566	566
Building	2,106	173	1,933	1,999
Leasehold improvements	10,548	2,730	7,818	6,676
Equipment	35,648	27,155	8,493	9,490
Furniture and fixtures	455	339	116	202
Computer equipment and software	4,362	4,118	244	320
	53,685	34,515	19,170	19,253

Note 7 Long-term Debt

	2001 $	2000 $
7.32% mortgage, payable in monthly instalments of $40,887 including interest, due October 1, 2001	2,262	2,580
Bank term loan, at prime, payable in monthly instalments of $4,161 plus interest, due October 12, 2002	84	130
	2,346	2,710
Less: Current portion	390	336
	1,956	2,374

A demand debenture with a fixed charge over land, building and equipment, a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage and term loan.

The following estimated principal repayments during the next five years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments $
2002	390
2003	395
2004	392
2005	422
2006	747
	2,346

Note 8 Contingencies

(a) During fiscal 1999, the Research Council was made aware of a $4,079,174 claim naming the Research Council as the defendant. The claim relates to contamination produced from certain oil wells and arises out of a joint venture agreement to develop drilling fluid that would act as fracturing agent. A previous claim naming the Research Council as one of the defendants related to the same event was settled in the previous year. This matter has been referred to the insurers and the likelihood of loss or the amount of loss to the Research Council is not determinable at this time however, management has stated that any losses would be fully covered by insurance. Any settlement that may occur would be accounted for as a charge against current year's earning at the time of settlement.

(b) During fiscal 2000, the Research Council was made aware of a $2,200,000 claim relating to intellectual property ownership which was filed by a former employee. Management feels that the claim is without merit, however, the likelihood of loss is not determinable at this time. Any settlement that may occur would be accounted for as a charge against current year's earnings at the time of settlement.

Note 9 Obligation Under Operating Leases

Future minimum lease payments for office equipment and vehicles over the next five years, and in total are as follows:

	$
Year ending March 31, 2002	110
2003	90
2004	44
2005	28
2006	20
	292

Note 10 Net Change in Non-cash Balances

	2001 $	2000 $
Accounts receivable	(898)	(3,820)
Accrued income receivable	(1,546)	455
Inventory	(92)	(116)
Prepaid expenses	148	(245)
Accounts payable and accrued liabilities	313	589
Unearned contract revenue	(690)	4,222
	(2,765)	1,085

Note 11 Pension Plan

The Research Council participates in two multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan, as well as two Defined Contribution Plans. The expense for these pension plans is equivalent to the annual contributions of $1,592,713 for the year ending March 31, 2001 (2000 - $1,499,753).

Note 12 Related Party Transactions

The premises occupied by the Research Council, as well as some office furniture and tenant improvements, have been provided by the Province of Alberta at no cost. Allocated costs are disclosed in schedule 1.

During the year, the Research Council received $25,075,000 (2000 - $27,081,000) in general revenues from the Alberta Science and Research Authority.

During the year, contract revenue from Alberta government departments and agencies was $9,996,509 (2000 - $7,835,109).

Note 13 Salaries and Benefits

	2001			2000
	Salary (1) $	Benefits and Allowances(2) $	Total $	Total $
Chairman of the Board	12,993	143	13,136	15,160
Board Members	5,832	-	5,832	4,297
Chief Executive Officer	163,543	54,460	218,003	176,501
Executive/Vice-Presidents				
Chief Financial Officer	114,648	16,187	130,835	122,054
Vice-President, Forest Technologies	109,983	17,775	127,758	119,869
Vice-President, Life Sciences	123,200	24,494	147,694	134,537
Vice-President, Industrial Processes and Services	112,444	12,666	125,110	117,390
Vice-President, Energy Technologies	102,118	16,614	118,732	125,806

(1) Salary includes regular pay, bonuses and lump sum payments.

(2) Benefits and allowances includes the employer's share of the cost of pension, Canada Pension Plan, Employment Insurance, dental, major medical, basic life insurance, short and long-term disability, employee health care expense accounts and vacation accrual. It also includes car allowance, payments made in lieu of benefits, membership fees and living allowance.

Note 14 Financial Instruments

Financial instruments consist of accounts receivable and accrued income receivable which will result in future cash receipts as well as accounts payable and accrued liabilities and long-term debt which will result in future cash outlays.

Limitations

Fair values estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Cash, accounts receivable, accrued income receivable, accounts payable and accrued liabilities.

The fair values of cash, accounts receivable, accrued income receivable, accounts payable and accrued liabilities approximate the carrying values due to their short-terms to maturity.

Long-term debt

The fair value of long-term debt approximates its carrying value due to the fact that the interest rates approximate the market rate at March 31, 2001.

Options and warrants

As part of the consideration for granting various licenses, the Research Council has received a number of options and warrants to acquire common shares of public companies. The following options and warrants have been recorded at nominal value:

	2001		2000	
	Exercise price $	Market value $	Exercise price $	Market value $
Options which expire in 2002	106	146	211	1,543
Options and warrants which expire in 2003	510	263	510	577
	616	409	721	2,120

As part of the licensing agreement associated with the options which expire in 2002, the Research Council has designated one-half of the net proceeds on the sale of the shares received upon exercising these options for collaborative research projects.

The Research Council is subject to market risk with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in market prices.

Note 15 Budget

The 2001 budget was approved by the Board of Directors on March 2, 2000.

Note 16 Comparative Figures

The comparative figures have been reclassified where necessary to conform with current year's presentation.

Alberta Research Council Inc.

Consolidated Schedule of Allocated Cost (1)
For the Year Ended March 31, 2001

(In thousands of dollars)

Schedule 1

	2001			2000
		Expenses Incurred by Others		
	Expense(2) $	Accommodation Costs(3) $	Total Expenses $	Total Expenses $
Total Expense	65,402	12,227	77,629	70,615

(1) If these allocated costs were paid for by the Research Council, the Province's contribution to the Research Council would be increased by $12,227 making total revenue for 2001 $78,042. Net revenue for 2001 would have remained at $413.

(2) Expenses as per Consolidated Statement of Revenue and Expense and Operating Equity.

(3) Accommodation costs, including premises occupied by the Research Council, as well as some office furniture and tenant improvements, have been provided by the Province of Alberta at no cost. The Province's estimated costs to provide this support are as follows:

	2001 $	2000 $
Accommodation cost:		
Building maintenance	5,790	4,413
Grants in lieu of taxes	2,104	2,105
Lease costs	1,935	1,938
Non-capital project expenses	336	1,287
Capital amortization	2,062	2,130
	12,227	11,873

iCORE Inc.
Financial Statements
March 31, 2001

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Salary and Benefits Disclosure

Schedule of Related Party Transactions

Auditor's Report

To the Board of Directors of iCORE Inc.

I have audited the statement of financial position of iCORE Inc. as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of iCORE Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of iCORE Inc. as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 20, 2001

ICORE Inc.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2001

with comparative figures for the period July 1, 1999 to March 31, 2000

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
REVENUES			
Contribution from Alberta Science and Research Authority	$ 10,000	$ 9,933	$ 846
Interest income (Note 4)	-	71	10
Total REVENUES	10,000	10,004	856
EXPENSES			
Salaries, Wages and Employee Benefits	503	515	260
Supplies and Services	447	413	234
Research Grants	7,880	7,770	361
Graduate Student Grants	1,170	1,306	-
Total EXPENSES	10,000	10,004	855
NET OPERATING RESULTS	$ -	$ -	$ 1

The accompanying notes and schedules are part of these financial statements.

ICORE Inc.

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2001

	(In thousands) 2001	(In thousands) 2000
ASSETS		
Cash (Note 4)	$ 43	$ 6
Accounts Receivable (Note 5)	50	66
	$ 93	$ 72
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 92	$ 71
NET ASSETS		
Net Assets at Beginning of Period	1	-
Net Operating Results	-	1
Net Assets at End of Period	1	1
	$ 93	$ 72

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors

Roger S Smith

Dr. Roger Smith
Chair of the Board
iCORE Inc.

Mr. Scobey Hartley
Chair of the Audit Committee
iCORE Inc.

iCORE Inc.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2001

with comparative figures for the period July 1, 1999 to March 31, 2000

	(In thousands) 2001	(In thousands) 2000
OPERATING TRANSACTIONS		
Net Operating Results	$ -	$ 1
Decrease (Increase) in Accounts Receivable	16	(66)
Increase in Accounts Payable	21	71
NET CASH PROVIDED BY OPERATING TRANSACTIONS	37	6
CASH, BEGINNING OF PERIOD	6	-
CASH, END OF PERIOD	$ 43	$ 6

The accompanying notes and schedules are part of these financial statements.

iCORE Inc.

Notes to the Financial Statements for the Year Ended March 31, 2001

Note 1 Authority

The Alberta Informatics Circle of Research Excellence (iCORE) commenced operations on July 1, 1999 and was established on September 23, 1999 as a not-for-profit corporation, iCORE Inc., in accordance with the Alberta Business Corporations Act, Chapter B - 15, Revised Statues of Alberta 1980, as amended. Order-in-Council 105/2000 authorized the acquisition of iCORE by the Alberta Science and Research Authority. iCORE is exempt from the payment of income tax under section 149 of the Income Tax Act.

Note 2 Purpose

The mandate of iCORE is to attract and grow a critical mass of outstanding researchers in the fields of computer science, electrical and computer engineering, physics, mathematics and other information and communications technology related disciplines. iCORE invests in the highest caliber research scientists and leaders who work on fundamental and applied problems in information technology. It aims to fund iCORE Chairs at Alberta universities, around which world-class research teams will be developed.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is iCORE, which is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its other wholly owned subsidiary, the Alberta Research Council Inc., are part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science (the Department). The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Expenses

Directly Incurred

Directly incurred expenses are those costs that iCORE has primary responsibility and accountability for, as reflected in the government's budget documents.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others

Services contributed by other entities in support of iCORE are disclosed in Schedule 2.

Assets

Financial assets of iCORE include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by iCORE at fiscal year end.

Net Assets

Net Assets represent the difference between the value of assets held by iCORE and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 4 Cash (In thousands)

Cash consists solely of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. The securities are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest earned on the cash balance in the amount of $71 (2000 - $10) is credited to iCORE's CCITF account, and is reflected in these financial statements.

Note 5 Accounts Receivable (In thousands)

Accounts receivable are unsecured and non-interest bearing and are from Alberta Government departments (2001 - $50, 2000 - $47) and the Federal Government (2001 - $Nil, 2000 - $19).

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Alberta government	$ 50	$ -	$ 50	$ 47
Federal government	-	-	-	19
	$ 50	$ -	$ 50	$ 66

Note 6 Commitments (In thousands)

iCORE has research grant commitments as at March 31, 2001 totaling $7,600 (2000 - $600).

Year	Committed
2002	$ 3,100
2003	1,500
2004	1,500
2005	1,500
Thereafter	-
	$ 7,600

ICORE Inc.

SCHEDULE TO FINANCIAL STATEMENTS **Schedule 1**
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2001
with comparative figures for the period July 1, 1999 to March 31, 2000

	2001			2000
	Salary (1)	Benefits & Allowances (2)	Total	Total
Chair of the Board(3)	$ 39,512	$ -	$ 39,512	$ 21,839
President and Chief Executive Officer(4)	184,745	-	184,745	149,100
Director of Programs	80,000	16,677	96,677	62,043

NOTES:

(1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment insurance, short and long-term disability plans, professional memberships and tuition fees.

(3) The Chair of the Board is seconded part-time from the University of Alberta and payment is made to the University of Alberta. The contract began September 1, 1999.

(4) The salary amount for the President and Chief Executive Officer includes $76,397 (2000 - $54,380) paid to Unger/Huntsinger and Associates and $108,348 (2000 - $94,720) paid to the University of Calgary for full-time secondment.

ICORE Inc.

SCHEDULE TO FINANCIAL STATEMENTS **Schedule 2**
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2001
with comparative figures for the period July 1, 1999 to March 31, 2000

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

iCORE and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

iCORE had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Enities	
	2001	2000	2001	2000
REVENUES				
Grants from the Alberta Science and Research Authority	$ 9,933	$ 846	$ -	$ -
EXPENSES				
Payments to the Alberta Research Council Inc. for office administration	$ 16	$ -	$ -	$ -
Grant to the Alberta Research Council Inc.	-	12	-	-
	$ 16	$ 12	$ -	$ -

iCORE also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(In thousands)

	Entities in the Ministry		Other Enities	
	2001	2000	2001	2000
EXPENSES - INCURRED BY OTHERS				
Accommodation provided by the Alberta Research Council Inc.	$ 68	$ 3	$ -	$ -

Alberta Heritage Foundation for Medical Research
Consolidated Financial Statements
March 31, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Auditor's Report

To the Trustees of the Alberta Heritage Foundation for Medical Research

I have audited the consolidated statement of financial position of the Alberta Heritage Foundation for Medical Research as at March 31, 2001 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 22, 2001

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2001
(thousands of dollars)

	2001	2000
ASSETS		
Cash	$ 6,135	$ 3,593
Restricted cash	1,688	2,581
Accounts receivable	142	26
Advances and prepaid expenses	100	60
Capital assets (Note 4)	501	447
	$ 8,566	$ 6,707
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 2,547	$ 1,785
Accrued retirement allowance (Note 5)	267	221
Accrued benefit liability (asset) (Note 5)	36	(53)
Deferred lease inducement	3	21
Deferred contributions (Note 6)	5,242	4,867
	8,095	6,841
Net assets (liabilities) (Note 7)	471	(134)
	$ 8,566	$ 6,707

The accompanying notes are part of these financial statements.

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001	2000
Revenues		
Transfers from Endowment Fund (Note 3)	$ 49,000	$ 39,500
Amortization of deferred contributions (Note 6)	3,817	4,039
Donations (Note 8)	1	1
Interest	444	283
Recoveries on Technology Commercialization (Note 9)	157	15
Other	-	1
	53,419	43,839
Expenses		
Grants and awards		
Personnel	28,277	23,159
Training	6,668	6,809
Technology commercialization	992	920
Applied health research	1,253	1,556
Other	10,426	8,390
	47,616	40,834
Program Delivery		
SEARCH program	387	203
HYRS program	50	24
Technology commercialization	132	139
Health technology assessment	199	177
	768	543
Program Operations		
Peer review	691	679
Human resources	2,187	1,888
Communication and education	319	304
Applied health research	190	116
	3,387	2,987
Administration		
Office services	503	515
Information services	152	115
Governance and planning	206	236
Amortization of capital assets	182	182
	1,043	1,048
	52,814	45,412
Excess (deficiency) of revenues over expenses	$ 605	$ (1,573)

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001			2000
	Invested in Capital Assets	Unrestricted	Total	Total
Balance at beginning of year as restated (Note 2(c))	$ 447	$ (581)	$ (134)	$ 1,439
Excess (deficiency) of revenue over expense	-	605	605	(1,573)
Purchase of capital assets	296	(296)	-	-
Proceeds from disposal of capital assets	(1)	1	-	-
Loss on disposal of capital assets	(15)	15	-	-
Amortization of capital assets	(182)	182	-	-
Amortization expense allocated to Health Research Collaboration	(44)	44	-	-
Balance at end of year	$ 501	$ (30)	$ 471	$ (134)

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001	2000
Operating activities		
Cash from operations	$ 49,602	$ 39,800
Cash from Medical Innovations Program	392	258
Cash from Health Research Collaboration	3,800	2,700
Cash for grants and awards	(47,176)	(41,295)
Cash for program delivery	(768)	(543)
Cash for program operations	(3,231)	(2,903)
Cash for administration	(675)	(788)
Net cash provided from (used for) operating activities	1,944	(2,771)
Investing activities		
Cash paid for purchase of capital assets	(296)	(92)
Proceeds on disposal of capital assets	1	9
Net cash used in investing activities	(295)	(83)
Financing activities		
Cash paid for capital lease obligation repayments	-	(55)
Net cash used in financing activities	-	(55)
Net increase (decrease) in cash for the year	1,649	(2,909)
Cash at beginning of year	6,174	9,083
Cash at end of year	$ 7,823	$ 6,174
Cash	$ 6,135	$ 3,593
Restricted cash	1,688	2,581
	$ 7,823	$ 6,174

Alberta Heritage Foundation for Medical Research

Notes to the Consolidated Financial Statements
March 31, 2001

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Medical Research (the Foundation) operates under the authority of the Alberta Heritage Foundation for Medical Research Act, Chapter A-26, Revised Statutes of Alberta 1980, as amended. The Foundation is exempt from Income Tax under section 149(1)(d.1) of the Income Tax Act.

The Foundation supports and promotes research in Alberta to improve health and thereby the quality of life of Albertans and people throughout the world.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Alberta Foundation for Health Research, which operates under The Alberta Companies Act and is a registered charitable organization for income tax purposes. The Alberta Foundation for Health Research activities are directed to promote and support medical and health research.

(b) Capital Assets and Amortization

Capital assets are recorded at cost less accumulated amortization. Capital assets, except for leasehold improvements, are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Furniture	10%
Office equipment	20%
Computer equipment	33%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(c) Reallocation of Net Assets

The Foundation has restated the 2001 opening balances for Net Assets Invested in Capital Assets and Unrestricted Net Assets to correct for the difference between the cost and net book value of asset disposals and to adjust for amortization recorded as administrative overhead under the Health Research Collaboration Agreement. As a result, the Foundation has increased Unrestricted Net Assets and decreased Net Assets Invested in Capital Assets by $34,000 as at April 1, 2000.

(d) Cash and Restricted Cash

Cash and restricted cash consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates.

Restricted cash represents unspent contributions that are subject to externally imposed restrictions related to the Medical Innovation Program.

(e) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts included on the consolidated statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash, restricted cash, accounts receivable, advances, accounts payable and accrued liabilities and accrued retirement allowance.

(f) Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue. Restricted investment income is credited to deferred contributions when received and amortized in the same manner.

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Unrestricted investment income is recognized as revenue when earned.

Recoveries on technology commercialization projects are recognized when performance requirements are satisfied, the amount to be received can be reasonably estimated and collection is reasonably assured.

(g) Grants and Awards Expense

Grants and awards approved by the Trustees of the Foundation are recorded as expenses when the awardee has been notified of the amount of the award and all terms and conditions of eligibility for payment of the award have been met.

(h) Accrued Benefit Liability

Commencing April 1, 2000, the Foundation prospectively applied the new accounting recommendations of the Institute of Chartered Accountants for employee future benefits. The transitional asset is being amortized over the average remaining service period of active employees expected to receive benefits under benefit plans.

The cost of pensions and other retirement benefits earned by employees is determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. For purposes of calculating the expected return on plan assets, those assets are valued at fair value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.

(i) Accrued Retirement Allowance

Accrued retirement allowance consists of the unfunded liability of retirement allowances.

(j) Lease Inducement

The lease inducement, a cash payment received by the Foundation on the lease for office premises, has been deferred and is accounted for as a reduction of office rental expense on a straight-line basis over the term of the lease.

Note 3 Alberta Heritage Foundation for Medical Research Endowment Fund

The Endowment Fund operates pursuant to the Alberta Heritage Foundation for Medical Research Act and consists of an initial endowment of $300 million from the Alberta Heritage Savings Trust Fund together with cumulative earnings thereon, less cumulative transfers to the Foundation.

Transfers to the Foundation are available at the request of the Trustees of the Foundation provided that such transfers do not result in the net assets of the Endowment Fund, valued at cost, being less than the initial endowment.

At March 31, 2001, the net assets of the Endowment Fund valued at cost were approximately $1.036 billion (2000 $1.023 billion) and the market value of the investments was $976 million (2000 $1.122 billion).

Note 4 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Furniture and equipment	$ 424	$ 239	$ 185	$ 149
Computer hardware and software	957	773	184	264
Leasehold improvements	122	119	3	29
Assets under construction	129	-	129	5
	$ 1,632	$ 1,131	$ 501	$ 447

Note 5 Pension Plan

The Foundation's pension plan is a defined benefit plan. An actuarial valuation of the plan which was carried out on March 31, 2001 by the Foundation's actuary, was used to determine the Foundation's pension expense and accrued benefit liability. The following significant actuarial assumptions were employed to determine the pension expense and the accrued benefit obligation:

	2001
Expected long-term rate of return on plan assets	7.00%
Discount rate	7.00%
Assumed rate of salary escalation	6.00%

Information about the Foundation's defined benefit plan is as follows:

		2001 (thousands of dollars)
(a) Pension expense		
Current service cost, net of employee contributions	$	91
Interest cost		106
Expected return on plan assets		(132)
Amortization of transitional asset		(29)
Defined benefit plan expense	$	36
(b) Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$	(1,373)
Current service cost		(136)
Interest Cost		(106)
Actuarial Loss		(170)
Benefits paid		34
Accrued benefit obligation, end of year	$	(1,751)
(c) Plan assets		
Fair value of plan assets, beginning of year	$	1,886
Actual return on plan assets		(218)
Employee contributions		45
Benefits paid		(34)
Fair value of plan assets, end of year	$	1,679
(d) Accrued benefit liability		
Funded status - plan deficit	$	(72)
Unamortized net actuarial loss		521
Unamortized net transitional asset		(485)
Accrued benefit liability	$	(36)

Retirement Allowance

The unfunded liability at March 31, 2001 of $267,495 (2000 $220,700) has been accrued and $46,795 was expensed in 2000/2001. This liability was determined by an independent actuary using the same assumptions that were used to value the pension plan.

Note 6 Deferred Contributions

Deferred contributions represent unspent resources externally restricted under the Medical Innovation Program and the Health Research Collaboration Agreement. Amounts are amortized to revenue to the extent of expenses incurred under these programs during the current period. Changes in the deferred contributions balance are as follows:

	2001	2000
	(thousands of dollars)	
Contributions received during the year		
Transfers from Alberta Health under the Health Research Collaboration Agreement	$ 3,800	$ 2,700
Interest	140	245
Recoveries on Technology Commercialization	252	13
	4,192	2,958
Less amounts recognized as revenue in the current year		
Health Research Collaboration	2,548	2,809
Medical Innovation Program	1,269	1,230
	3,817	4,039
Increase (decrease) during the year	375	(1,081)
Balance at beginning of year	4,867	5,948
Balance at end of year	$ 5,242	$ 4,867
The balance is comprised as follows		
Medical Innovation Program	1,700	2,577
Health Research Collaboration	3,542	2,290
	$ 5,242	$ 4,867

Note 7 Net Assets

Operations include the biomedical and health programs of the Foundation which are funded from the transfers from the Endowment Fund and available cash balances. The Foundation's policy is to retain funds in the Endowment Fund and transfers are made only on an as needed basis.

Note 8 Other Programs

(a) Alberta Foundation for Health Research

The Alberta Foundation for Health Research, a wholly owned subsidiary of the Foundation, operates under the Alberta Companies Act and is a registered charity for income tax purposes. The Foundation's activities are directed to promote and support medical and health research.

(b) Medical Innovation Program (MIP)

The Foundation administers funds for the Medical Innovation Program on behalf of the Government of Alberta. The Program funds the early stages of commercial development of medical and health related technologies.

(c) Health Research Collaboration

The Foundation and Alberta Health have entered into an agreement to facilitate and enhance health research and health technology assessment and their dissemination in the Province of Alberta.

Note 9 Recoveries on Technology Commercialization

The Foundation has entered into various agreements to fund technology commercialization projects. The projects involved have high scientific merit, but are speculative with both technical and commercial risk. Any recoveries by the Foundation under these agreements will be long term, in some cases at least ten years. In addition to recoveries, some agreements contain a provision for future royalty payments. Amounts ultimately receivable by the Foundation are not determinable at this time and will be recognized as revenue when they are due and collection is reasonably assured.

Recoveries on Technology Commercialization are credited to Revenue or Deferred Contribution depending on the source of the original funding. The total recoveries were as follows:

	2001	2000
	(thousands of dollars)	
AHFMR Recoveries credited to Revenue	$ 157	$ 15
MIP Recoveries credited to Deferred Contribution	252	13
	$ 409	$ 28

Note 10 Salaries and Benefits

	2001			2000		
	Salaries [a]	Benefits [b]	Total [c]	Salaries [a]	Benefits [b]	Total [c]
Chairman	$ 12,100	$ -	$ 12,100	$ 13,150	$ -	$ 13,150
Board of Trustees	71,750	2,107	73,857	82,900	1,255	84,155
President and Chief Executive Officer	215,250	36,207 [d]	251,457	202,500	37,503 [d]	240,003
Vice President, Research	110,500	6,089	116,589	101,958	12,157	114,115
Vice President, Corporate Affairs and Commercialization	97,333	6,643	103,976	90,583	11,896	102,479
	$ 506,933	$ 51,046	$ 557,979	$ 491,091	$ 62,811	$ 553,902

(a) Salaries include regular base pay, overtime, retainers, honoraria, and any other direct cash remuneration.

(b) Benefits include the Foundation's share of all employee benefits and contributions or payments made on behalf of employees including vacation payouts, pension, health care, dental coverage, medical benefits, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans and professional memberships.

(c) Salaries and benefits are distributed to various expense categories including committee meetings and fees, salaries and benefits, and governance and planning.

(d) Contributions for accrued retirement allowance were $22,300 in 2001 ($21,200 2000).

Note 11 Commitments

(a) Office Premises

The Foundation is currently in a 65 month lease for office premises. This lease expires on May 31, 2001.

The Foundation has entered into a new 69 month lease for office premises. This lease expires on September 29, 2006.

(b) Total commitments pertain to the following fiscal years:

	Grants and Awards	Office Premises	Total
	(thousands of dollars)		
2001-2002	$ 28,321	$ 81	$ 28,402
2002-2003	16,430	73	16,503
2003-2004	10,404	78	10,482
2004-2005	6,239	78	6,317
2005-2006	2,045	78	2,123
	$ 63,439	$ 388	$ 63,827

Note 12 Budget

The budget process involves the determination of the cost for the estimated number of investigators sponsored for Foundation awards and meeting standards of excellence which the Foundation could support within the spending guidelines and program objectives laid out by the Board of Trustees of the Foundation.

Variance from budget is determined in a large part by the number and quality of actual applications received and deferred or declined awards.

The 2000-2001 budget was approved by the Board of Trustees in March 2000. Following is the Alberta Heritage Foundation for Medical Research unconsolidated budget:

	Actual	Budget
	(thousands of dollars)	
Revenue	$ 53,410	$ 55,277
Grants and Awards	(47,616)	(50,600)
Program Delivery	(768)	(1,308)
Operations	(3,387)	(3,283)
Administration	(1,043)	(1,323)
Excess (deficiency) of revenue over expense	$ 596	$ (1,237)

Funds are budgeted and transferred from the Endowment Fund on an as needed basis.

Note 13 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 14 Approval of Financial Statements

These financial statements were reviewed by the Audit Committee and recommended to the Board of Trustees for approval.

Alberta Foundation for Health Research
Financial Statements
March 31, 2001

Auditor's Report

Statement of Financial Position

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Auditor's Report

To the Trustees of the Alberta Foundation for Health Research

I have audited the statement of financial position of the Alberta Foundation for Health Research as at March 31, 2001 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 22, 2001

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2001

ASSETS

	2001	2000
Cash	$ 145,755	$ 136,794

LIABILITIES AND NET ASSETS

	2001	2000
Net assets	$ 145,755	$ 136,794

The accompanying notes are part of these financial statements.

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
Revenue		
Interest	$ 8,011	$ 7,046
Donations	1,005	600
	9,016	7,646
Expenses		
Promotion & advertising	-	2,843
Meeting expense	-	1,563
Professional fees	55	758
	55	5,164
Excess of revenue over expense for the year	$ 8,961	$ 2,482

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF CHANGES OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
Balance at beginning of year	$ 136,794	$ 134,312
Excess of revenue over expense	8,961	2,482
Balance at end of year	$ 145,755	$ 136,794

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
Operating activities:		
Cash from operations	$ 9,016	$ 7,646
Cash for program operations	(55)	(5,164)
Net increase in cash for the year	8,961	2,482
Cash at beginning of year	136,794	134,312
Cash at end of year	$ 145,755	$ 136,794

Alberta Foundation for Health Research

Notes to the Financial Statements
March 31, 2000

Note 1 Authority and Purpose

The Alberta Foundation for Health Research, a subsidiary of the Alberta Heritage Foundation for Medical Research, operates under the Alberta Companies Act and is a registered charity for income tax purposes. The Foundation was incorporated on November 17, 1994 and commenced operations during 1998. The Foundation's activities are directed to promote and support medical and health research.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates.

(b) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts included on the consolidated statements of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

(c) Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Note 3 Budget

As the Foundation commenced operations in 1998 and has had limited activity, a budget was not prepared for 2000-2001. When appropriate the Board will determine a budgeting process, given that donations are unpredictable and operating expenses are minimal.

Note 4 Approval of Financial Statements

These financial statements were reviewed and approved by the Board of Directors.

Alberta Heritage Foundation for Science and Engineering Research

Financial Statements

March 31, 2001

Auditor's Report

Statement of Financial Position

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Notes to the Financial Statements

Auditor's Report

To the Trustees of the Alberta Heritage Foundation for Science and Engineering Research:

I have audited the statement of financial position of the Alberta Heritage Foundation for Science and Engineering Research as at March 31, 2001 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 22, 2001

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2001
(thousands of dollars)

	2001
ASSETS	
Cash	$ 35,397
Accounts receivable	1,875
Prepaid expenses	2,741
Capital assets (Note 4)	32,747
	$ 72,760
LIABILITIES AND NET ASSETS	
Accounts payable and accrued liabilities	$ 48,072
Net assets (Note 5)	24,688
	$ 72,760

The accompanying notes are part of these financial statements.

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001
Revenue	
Transfers from Endowment Fund (Note 3)	$ 575,000
Interest	3,886
	578,886
Expense	
Operations	
Peer review	79,533
Human resources	177,614
Communication and education	4,572
	261,719
Administration	
Office services	53,581
Information services	15,581
Governance and planning	220,474
Amortization of capital assets	2,843
	292,479
	554,198
Excess of revenue over expense	$ 24,688

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001		
	Invested in Capital Assets	Unrestricted	Total
Balance at beginning of year	$ -	$ -	$ -
Excess of revenue over expense	-	24,688	24,688
Purchase of capital assets	35,590	(35,590)	-
Amortization of capital assets	(2,843)	2,843	-
Balance at end of year	$ 32,747	$ (8,059)	$ 24,688

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001
Operating activities	
Cash from operations	$578,886
Cash for operations	(255,863)
Cash for administration	(252,036)
Net cash provided from operating activities	70,987
Investing activities	
Cash used for purchase of capital assets	(35,590)
Net increase in cash for the year	35,397
Cash at beginning of year	-
Cash at end of year	$ 35,397

Alberta Heritage Foundation for Science and Engineering Research

Notes to the Financial Statements
March 31, 2000

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Science and Engineering Research (the Foundation) operates under the authority of the Alberta Heritage Foundation for Science and Engineering Research Act, Chapter A-26.5, Revised Statutes of Alberta 2000, as amended. The Foundation commenced operations on April 1, 2000 and is exempt from Income Tax under section 149 (1)(d.1) of the Income Tax Act.

The Foundation supports and promotes a balanced long term program of science and engineering research based in Alberta directed to the discovery of new knowledge and application of that knowledge to improve the quality of Alberta's economy, communities and environment.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Capital Assets and Amortization

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Furniture	10%
Office equipment	20%
Computer equipment	33%

(b) Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates.

(c) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash, accounts receivable, accounts payable and accrued liabilities.

(d) Revenue Recognition

Contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

(e) Grants and Awards Expense

Grants and awards approved by the Trustees of the Foundation are recorded as expenses when the awardee has been notified of the amount of the award and all terms and conditions of eligibility for payment of the award have been met.

Note 3 Alberta Heritage Foundation for Science and Engineering Research Endowment Fund

The Endowment Fund operates pursuant to the Alberta Heritage Foundation for Science and Engineering Research Act and consists of an initial endowment of $500 million from the General Revenue Fund of the Province of Alberta together with cumulative earnings thereon, less cumulative transfers to the Foundation.

Transfers to the Foundation are available at the request of the Trustees of the Foundation provided that such transfers do not impair the real value of the Endowment Fund, over the long term.

At March 31, 2001, the net assets of the Endowment Fund valued at cost were approximately $524 million and the market value of the investments was $467 million.

Note 4 Capital Assets

	2001		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 7,841	$ (273)	$ 7,568
Computer hardware and software	27,749	(2,570)	25,179
	$ 35,590	(2,843)	$ 32,747

Note 5 Net Assets

Expenses include the science and engineering programs of the Foundation which are funded from the transfers from the Endowment Fund and available cash balances. The Foundation's policy is to retain funds in the Endowment Fund and transfers are made only on an as needed basis.

Note 6 Salaries and Benefits – Trustees and Officers

	Salaries [a]	Benefits [b]	Total [c]
Chairman	$ 11,850	$ -	$ 11,850
Board of Trustees	89,050	2,006	91,056
	$ 100,900	$ 2,006	$ 102,906

[a] Salaries include retainers, honoraria, and any other direct cash remuneration. A CEO had not been appointed during the period.

[b] Benefits consist of the Foundation's CPP contributions.

[c] Salaries and benefits are included in governance and planning on the statement of operations.

Note 7 Budget

As the Foundation commenced operations in 2000 and has had limited activity, a budget for 2000-2001 was not prepared.

Note 8 Approval of Financial Statements

These financial statements were reviewed by the Audit Committee and recommended to the Board of Trustees for approval.

Index of All Government Entities (2000-2001)

ALPHABETICAL List of Entities' Financial Information in Ministry 2000 - 2001 Annual Reports
Entities Included in the Consolidated Government Reporting Entity

MINISTRY, DEPARTMENT, FUND OR AGENCY	MINISTRY ANNUAL REPORT
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Heritage Science and Engineering Research Endowment Fund (Alberta Ingenuity Fund)	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc. (iCORE)	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Child and Family Services Authorities: Awasak Child and Family Services Authority Calgary Rocky View Child and Family Services Authority Child and Family Services Authority Region 13 Child and Family Services Authority Region 14 Diamond Willow Child and Family Services Authority Hearthstone Child and Family Services Authority Keystone Child and Family Services Authority Ma' Mowe Capital Region Child and Family Services Authority Metis Settlements Child and Family Services Authority Neegan Awas'sak Child and Family Services Authority Ribstone Child and Family Services Authority Sakaigun Asky Child and Family Services Authority Sakaw-Askiy Child and Family Services Authority Silver Birch Child and Family Services Authority Southeast Alberta Child and Family Services Authority Sun Country Child and Family Services Authority West Yellowhead Child and Family Services Authority Windsong Child and Family Services Authority	Children's Services

MINISTRY, DEPARTMENT, FUND OR AGENCY	MINISTRY ANNUAL REPORT
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Justice	Justice
Department of Learning	Learning
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Lottery Fund	Gaming
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment	Human Resources and Employment
Ministry of Infrastructure	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment
Persons with Developmental Disabilities Community Boards	
Calgary Community Board	Health and Wellness
Central Community Board	Health and Wellness
Edmonton Community Board	Health and Wellness
Northeast Community Board	Health and Wellness
Northwest Community Board	Health and Wellness
South Community Board	Health and Wellness
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Provincial Board	Health and Wellness
S C Financial Ltd.	Treasury
Supplementary Retirement Plan Reserve Fund	Treasury

MINISTRY, DEPARTMENT, FUND OR AGENCY	MINISTRY ANNUAL REPORT
Victims of Crime Fund	Justice
Wild Rose Foundation, The	Community Development

Entities NOT Included in the Consolidated Government Reporting Entity

FUND OR AGENCY	MINISTRY ANNUAL REPORT
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Treasury
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan –Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan –Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Treasury
Supplementary Retirement Plan for Public Service Managers	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment

Endnotes

i In 2000 - 2001, there were two programs related to government information technology - Office of the Chief Information Officer and Information Management and Technology Services. These two programs have recently been re-organized into Corporate Information Technology Management under Robb Stoddard (Chief Information Officer) and Network Infrastructure under Grant Chaney (Chief Technology Officer).

ii Canadian Light Source (CLS) Inc. will be Canada's national facility for synchrotron light research when the huge instrument is turned on in January of 2004. The stadium-sized, $173.5-million project is Canada's biggest scientific research facility in more than 30 years. Synchrotron light is an infra-red, ultraviolet and X-ray light that is shone down beamlines to experiment endstations where scientists can select different parts of the spectrum to "see" the microscopic nature of matter, right down to the atomic level.

iii The Alberta Synchrotron Institute (ASI) is a not-for-profit association of the U of A, the U of C and the University of Lethbridge, with major funding by ASRA, AHFMR, and Western Economic Diversification Canada. The ASI was formed to educate and assist Alberta's scientific communities in using the Canadian Light Source (CLS).

iv Recent advances in biotechnology have made it possible to deliver foreign genes into cells for the treatment of human diseases. The purpose of this project is to establish a GLP/GMP facility that will allow researchers to develop gene therapy.

v This project is part of the establishment of the Genes and Development Research Group. It involves the construction of a blend of individual labs without walls and specialized research facilities, for example: microsurgery, viral gene transfer and digital imaging. These facilities coupled with the outstanding investigators group will enhance Alberta's efforts in genetics and gene therapy.

vi CIGNET is a core molecular physiology facility dedicated to the study of the role of cardiovascular potassium channels in health and disease. Research will range from molecular biology to whole animal and human physiology. CIGNET will support transnational research on common diseases (e.g. sudden death and hypertension).

vii MRI techniques will play a critical role in understanding the evolution and treatment of strokes in humans. The infrastructure is needed for the development of a state-of-the-art MRI stroke research program at the U of A.

viii Intuit Canada markets and develops personal, and small business, tax preparation software.

ix CAP is a federal Public Service development program. The goal of CAP is to identify a representative group of individuals who have demonstrated executive potential and to accelerate their development and advancement.

x Measure used by Alberta Finance in Measuring Up.

xi Information and Communications Technology (ICT) Sector AED definition (NAICS Codes): 3341 Computer & Peripheral Equipment Manufacturing; 3342 Communications Equipment Manufacturing; 3343 Audio & Video Manufacturing; 3344 Semiconductor & Other Electronic Component Manufacturing; 3345 Navigational, Medical & Control Instruments Manufacturing; 5112 Software Publishers; 5132 Pay TV, Specialty TV & Program Distribution; 5133 Telecommunications; 5141 Information Services; 5142 Data Processing Services; 5415 Computer Systems Design & Related Services; 8112 Electronic & Precision Equipment Repair and Maintenance.

xii Indicator has been changed from "Scientists and Engineers as a Percentage of Labour Force" due to a change in the data collected by Statistics Canada. Starting from January 1999, the occupation classification available from the Labour Force Survey (LFS) is based on the Standard Occupational Classification 1991 (SOC91). SOC91 is fundamentally different from the previous classification system used by the LFS (SOC80) and comparisons of data from each classification are meaningless, at any level of aggregation. The new category "Natural and Applied Sciences and Related Occupations" includes scientists, engineers, technologists and technicians and is based on SOC91.

xiii Private sector contributes approximately 60 per cent of R&D in Canada and is therefore the largest contributor nationally. Source: Statistics Canada - 88F0006XIE01001 Estimates of Canadian Research and Development Expenditures (GERD), Canada, 1989 to 2000e, and by Province, 1989 to 1998, pages 30-31.

xiv High – speed: 10 megabits per second.

xv Learning institutions completed a survey of their Internet connection. Some facilities in urban centres already have access to high-speed connections without the availability of SuperNet. With the completion of SuperNet, all learning institutions in the 422 communities will be eligible for high-speed access at guaranteed initial rates.

xvi Schools are defined in this context as Kindergarten to Grade 12 learning institutions, not including private or federally funded schools. The term "University/College" is defined as institutions offering a wide range of undergraduate degree programs as well as a range of graduate studies. This does not include private, federal or adult learning institutions.

xvii Measure used by Alberta Finance in Measuring Up.

xviii Careers defined as follows:

Artist: designer, interior decorator, musician, actor

Environment-related: forestry, marine biologist, environmental engineer

Health professional: doctor, dentist, veterinarian

Healthcare worker: registered nurse, physical therapist

Human services: teacher, social worker, counselor

Information technology: computer scientist, computer engineer

Other professions: lawyer, accountant, architect, stock broker

Protective or military service: police officer, firefighter, military

Science or math-related professional: engineer, architect, and geologist.

xix ARC's 2001 customer survey was sent to 432 clients, including those with projects over $2000, and those deemed to be strategic to the individual business units. The percentage reported as customer satisfaction is the total number of strongly agree and agree responses to nine survey questions as a percentage of the total responses to all nine questions. The scale used was Strongly Agree (4), Agree (3), Disagree (2), Strongly Disagree (1) and Not Applicable (0). The 2001 customer survey response rate was 56.7 per cent. The sample size was reduced in 2001, which may have some effect on comparing the overall satisfaction with previous years.

xx The 2001 ARC employee survey was sent to 554 salaried employees, and excluded wage employees. Employee satisfaction is calculated from the responses to the first question on the survey "Overall, I am satisfied with ARC as a place to work". The value is determined by dividing the mean of the responses by five, the number of categories. The scale is as follows; strongly agree (5), agree (4) neither agree nor disagree (3) disagree (2) and strongly disagree (1). The employee survey response rate was 53 per cent. The customer and employee surveys are intended to measure trends and provide another means to engage ARC's employees and clients. The precision and confidence levels are not calculated, as this is not meant to be a statistical exercise.